EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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JAPAN
Recruit affair returns to haunt ruling party
Page 4

World News

Indian polls marred by widespread violence

THE FIRST day of polling in India's general election was marked by widespread violence, with both the ruling Congress and the opposition Janata Dal accusing each other of attempting to rig the results.

At least 32 people were killed in Andhra Pradesh, Haryana and elsewhere, including Vallabhbhai Patel, Health Minister of the western state of Gujarat. Page 4

Bush 'sent troops'
President Bush said he had sent a special US military counter-terrorist force to El Salvador to help end the hotel siege in which US soldiers were trapped. The stand-off was defused without their intervention. Page 8

Pretoria accused
Allegations by a death-row prisoner that anti-apartheid activists have been killed by South African police death squads throughout the 1980s have been corroborated in an investigation by the South African Council of Churches. Page 4

Gerasimov ousted
Anatoly Gerasimov was squeezed out of his job as Communist Party chief of Leningrad, where the party was embarrassed in multi-candidate elections earlier this year. Page 3

EC railways
The first tentative moves to challenge the EC's deeply embedded national railway monopolies were announced in Strasbourg by the Transport Commissioner. Page 18

Kiev summit
Soviet President Mikhail Gorbachev will have brief talks with French President François Mitterrand on December 6 in Kiev. Page 3

Rebels told to move
Pakistani authorities told Afghan rebel groups to move arms dumps out of populated areas of north-west Pakistan where a huge explosion killed up to 40 people last week.

Soviet plane crashes
A Soviet passenger aircraft crashed in bad weather in West Siberia killing 34 people, the official news agency Tass reported.

AIDS in Africa
Nearly 80,000 infants infected with HIV, the virus that causes AIDS, were born in sub-Saharan Africa between 1980 and 1987, according to a new report. Page 4

Reserve currency
Asia and Oceania are moving towards the formation of a "horizontal" trading region in the 1990s and the yen will emerge as a reserve currency according to Yoshio Suzuki, former executive director of the Bank of Japan. Page 4

Presidents called
Nicaragua is to convene an urgent meeting of the five Central American presidents following the collapse of bilateral talks with the US-backed Contras in Washington. Page 8

Discovery ready
The US space shuttle Discovery was on schedule for liftoff on Wednesday night, the first nighttime shuttle launch in four years, despite a two-day delay last week due to a technical problem.

Business Summary

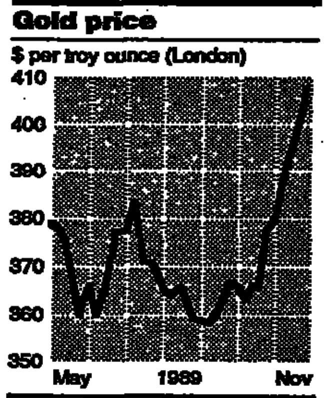
Bush House in London to be bought by Japanese

BUSH House, home of the BBC World Service, is to be sold for about £130m ($203m) next month to Kato Kagaku, Japanese chemical company.

The deal emphasises the growing diversification of Japanese property investment and takes place against the background of growing criticism of Japanese property purchases in the US. Page 19

GOLD prices continued their advance on the London bullion market, closing $4 ahead at $408.25 an ounce after touching $410 earlier in the day. Commodities, Page 32

Gold price



BRITISH & Commonwealth, UK financial services group, shook up its management team after share prices fell to a seven-year low. Page 19

AEROSPATIALE, French state-owned aerospace company and Alcatel, Europe's leading telecommunications group, plan to merge their satellite businesses to form the world's second-largest satellite maker, behind Hughes of the US. Page 19

CAIRNS Group: ministers from the Cairns Group of agricultural exporting nations agreed a proposal for farm trade liberalisation that would allow developing countries rights to protect farmers from foreign competition. Page 18

TIME Warner, entertainment and publishing group, said it would sell its Scott, Foreman publishing subsidiary for $455m to an affiliate of Harper & Row, the US publisher which is part of Mr Rupert Murdoch's News International empire. Page 21

GENERAL Motors was reported to be considering cutting its white collar workforce in the latest sign of intensifying competition in the US car industry. Page 21

JORDAN Sandman Futures defaulted suddenly, sending New Zealand financial markets into turmoil and forcing the Reserve Bank to intervene by offering extra government stock. Page 21

CoCom: European defence and foreign ministers will next month debate whether to end curbs on technology sales to communist countries as set by the Co-ordinating Committee for Multilateral Export Controls. Page 18

JAPAN'S new central bank governor is to be Yasushi Mieno, replacing Satoshi Sumita when he retires in December. Page 4

ORKEM, recently revived French state-owned chemicals group, is to be split up and taken over by the oil companies, Total-CFP and Elf Aquitaine, under a government restructuring plan. Page 20

MERRILL Lynch, largest US securities house, began restructuring its business and laying off employees amid overcapacity in the brokerage industry. Page 21

ELECTROLUX of Sweden, world's leading white goods manufacturer, said third-quarter profits fell 18 per cent to SKr668m ($103m) because of reduced demand for its products.Page 20

Lebanon's President and 23 others killed by bomb

By Lara Marlowe in West Beirut

THE newly-elected Lebanese President, Mr Rene Moawad, was killed by a massive bomb yesterday which exploded next to the motorcade taking him home from Independence Day celebrations in West Beirut.

The assassination of the President, who had been in office only 17 days, destroyed months of painstaking work by the Arab League to restore Lebanon's political institutions and could plunge the country back into renewed civil war.

About 550lb of explosives, planted in a roadside shop, were detonated – probably by remote control – as President Moawad; Dr Selim el Hoss, his Prime Minister; and Mr Hussein al-Husseini, Speaker of the Parliament, drove through the West Beirut quarter of Bustros in a 10-car motorcade.

The President was killed instantly but Mr Hoss and Mr Husseini were unharmed. The Prime Minister, visibly shaken, read the official announcement of President Moawad's death on Lebanese television three hours later.

Dr Hoss said the President's death was "a national disaster."

Ten of the 23 people killed by the explosion were the President's bodyguards. At least 36 others were wounded when the bomb went off in the residential street 150 yards from Mr Hoss's home.

Moslems in West Beirut, along with Syria and Algeria, immediately pointed the finger at General Michel Aoun, the Christian leader, or "subversive elements" loyal to him, for having ordained the assassination. Last night, Gen Aoun described the killing as an "ugly crime."

Only minutes before the President's death, foreign diplomats stationed in Beirut – including Mr Allan Ramsay, the British ambassador – had paid their independence day respects to Mr Moawad. Late yesterday, the same diplomats filed past his remains near where the morning's ceremonies had taken place.

Mr Husseini was holding urgent consultations with other leaders in West Beirut last night in an attempt to find a successor.

The assassination leaves Lebanon once again without a head of state or a government. Gen Aoun claims that his three-man military government constitutes the only legal power in Lebanon but his

Continued on Page 18

Murder ends slender prospects for peace, Page 4

Czech leader under pressure to resign

By Leslie Colitt in Prague

MR MILOS JAKES, the hard-line Czechoslovak leader, was last night facing a serious challenge to his leadership after Prague was again engulfed in a demonstration by 250,000 people, demanding his resignation.

The now daily demonstration in Wenceslas Square, in the heart of the capital, comes amid growing indications of opposition to his leadership from within the Communist Party.

A Party spokesman said a special Central Committee meeting would be held on Friday to discuss the response to the demonstrations and the call for a general strike from the opposition group, Civic Forum. The emergency meeting could decide whether Mr Jakes has a political future.

One senior Party official said the situation was so fluid that Mr Jakes could be forced to resign in "hours, days, or at the latest, weeks." He said Mr Ladislav Adamec, the reform-minded Prime Minister who held talks with the opposition this week would be Mr Jakes' likely successor.

However Mr Venek Silhani, a former secretary of the Central Committee and deputy to Mr Alexander Dubcek, the reformist leader in 1968, accused Mr Adamec of being only "half-hearted" about reforms.

Mr Dubcek, the architect of the 1968 "Prague Spring" reforms, yesterday made his first intervention in the current wave of protest by demanding the resignation of the country's current leadership. He said he hoped to move back to Prague from his home in Bratislava to meet the leaders of the country's opposition movement.

But Mr Dubcek, despite his popularity, would find it difficult again to head a Communist Party which, in the past 21 years, has lost virtually all credibility in the population, and now among its own members.

Demonstrators in Wenceslas Square last night carried hundreds of banners calling for the leadership to resign or demanding a general strike if it does not. Free elections and the release of political prisoners are among the many demands.

Cars and trucks driving past the boisterous crowd at the head of Wenceslas Square – an elongated boulevard more than 1km long – sounded their horns in support. Underground trains arriving at the square disgorged hundreds of fresh protesters every few minutes. The police were nowhere to be seen.

In a remarkable outbreak of independence, a television newscaster interrupted Tuesday's evening news to say that employees of state television and CTK, the official news agency, protested against police suppression of a student demonstration last Friday which triggered the subsequent protest on Wenceslas Square.

Their declaration echoed a similar occasion in 1968 when state television and CTK were among the first to back Mr Dubcek's reforms.

Although the opposition is gathering more supporters many workers were still reluctant to join the demonstrators.

Mr Daniel Münnich, a student at Prague University, led a student delegation to the giant CKD factory to ask the workers to join them. The plant director, however, refused to allow the students in. Official trade union representatives, said dismissively that workers did not want Polish and Soviet-type "anarchy."

Time runs out, Page 3

Ladislav Adamec: 'likely new leader,' and Alexander Dubcek (below): moving to Prague

Bush may propose big cuts in US forces

By Lionel Barber in Washington

PRESIDENT George Bush is considering deep cuts in US forces overseas, a response to the decline in international tensions and pressure on the US defence budget.

The cuts, which would be made only in consultation with allies in Europe and Asia, would go well beyond those contemplated in the Nato-Warsaw Pact conventional arms talks in Vienna.

However, Mr Bush said in an interview this week with the Financial Times and other foreign newspapers: "We're certainly not going to take any unilateral action. We do what we do with the Allies."

Sitting in front of a roaring fire in the Oval Office, Mr Bush appeared excited at the prospect of his meeting in the Mediterranean next week with Soviet President Mikhail Gorbachev but remains stung by charges that he is responding timidly to Soviet bloc reform.

"I discount that by about 99 per cent as pure gut American politics," he said, his voice rising with emotion. "Some have wanted me to jump on top of the Berlin Wall. Well, I have never heard such a stupid idea. I mean, what good would it do for an American president to be posturing while Germans are flowing back and forth by the million."

Throughout, Mr Bush conveyed his sense of awe at the pace of change in Eastern Europe, as well as the responsibility of the US to avoid any "flamboyant actions" which could reverse the reform process. "We don't need to be out there micro-managing the

Continued on Page 18

Bush shows competitive streak ahead of summit, Page 8; Editorial comment, Page 16

TI wins Japanese chip patent after 29 year wait

By Ian Rodger in Tokyo, Louise Kehoe in San Fransisco and Rod Oram

TEXAS Instruments, the largest US merchant semiconductor manufacturer, has finally been granted a Japanese patent that acknowledges its invention of the semiconductor chip or integrated circuit.

The company has waited nearly 30 years for the patent, which covers technology used in "virtually all of the integrated circuits made in Japan," Texas said yesterday.

Japan has been notoriously slow in granting patents to the US semiconductor industry, and the decision may signal an important liberalisation in patent policies. It is also likely to lead to a significant flow of patent revenues from Japan for TI.

TI's stock price jumped on the news, spurred by analysts' rough forecasts of a big windfall for the company. By early afternoon it had risen $4¼ to $36¼ on heavy volume.

The company declined to speculate on the financial impact and analysts said there were too many questions for them to make accurate estimates.

Texas already has patent cross-licensing agreements with most Japanese chip makers. Several of the agreements, which are negotiated on a five-year basis, run out towards the end of next year.

When the agreements are renegotiated, the US company is likely to claim that the value of its portfolio of patents has been substantially increased by the addition of the patent. TI may then seek either increased royalty payments or additional technology rights from the Japanese chip makers.

A broad consensus estimate of the patent revenues began to form yesterday around a range of $200m to $400m a year.

The company reported net profits of $366m, or $4.05 a share, last year with analysts forecasting around $3.30 a share this year. Mr Thomas Kurlak of Merrill Lynch said royalty payments were likely to add about $2.50 a year by 1992.

TI first applied, unsuccessfully, in February 1960 for Japanese recognition of the Kilby patents, named after Mr Jack Kilby, the TI engineer who co-invented the semiconductor chip. The company reapplied in 1971 with equal lack of success.

East Germans step nearer power-sharing

By David Marsh in Bonn and Lucy Kellaway in Strasbourg

EAST GERMANY's embattled Communist Party yesterday took the first steps towards possible genuine power-sharing by proposing "round table" discussions on political reforms with Opposition groups.

In a bid to disarm street protests which have continued this week in spite of the opening of East Germany's borders, the ruling Politburo said it favoured talks between the established parties and "other political forces" in the country. The proposal was welcomed last night by East German opposition movements.

Pressure for reform on East Germany's leadership from outside the country intensified when Chancellor Helmut Kohl of West Germany again called for self-determination for the people of the GDR . Chancellor Kohl also reiterated his preference for the re-unification of Germany, a move being firmly resisted by East Germany and the Soviet Union.

In a speech to the European Parliament during a debate on Eastern Europe, Mr Kohl said: "The people of East Germany must be able to decide their own fate. It is a question of German unity and re-unification. The Federal government sticks to its objective to have a free and unified Germany and a unified Europe. The West German constitution compels us to work for both," he said.

The "round table" discussions would focus on a new electoral law, including the registration of new political parties, as well as on changing

Continued on Page 18

Wind of realism; East German mark struggles, Page 2

Hanson lifts cash raised from Gold Fields assets to £1.06bn

by Nikki Tait in London and Chris Sherwell in Sydney

HANSON, the British conglomerate which took over Consolidated Gold Fields last summer for £3.5bn in the UK's biggest completed takeover bid, yesterday announced two major steps in the sale of Gold Fields' assets.

Hanson said it had reached agreement with CSR, the Australian building products and sugar group, for the sale of four companies within ARC America, the aggregates and construction products business.

This will raise $650m in cash, and CSR will also take on around $20m of debt.

Hanson also confirmed the sale of a portfolio of South African gold mining shares owned by Gold Fields. This includes its remaining eight per cent stake in Gold Fields of South Africa (GFSA). The proceeds from this sale are put at around £240m ($377m).

These disposals brings the total raised by Hanson from Gold Fields' asset sales to around £1.06bn.

It has already sold the bulk of Gold Fields' stake in GFSA - a 30 per cent interest - to the South African Rembrandt group and Asteroid, in turn jointly owned by GFSA and Driefontein Consolidated. This raised £368m. There have been two other very small disposals.

Mr Martin Taylor, Hanson's deputy chairman, played down any suggestion that the sale of the four ARC America companies - which comprise virtually all of ARC's operations in the US - implied that the UK arm of ARC might also be lined up for disposal.

"You shouldn't be persuaded of any connection," he said, pointing to the greater scale and market significance of the UK operations.

The four companies being sold are American Aggregates, Associated Sand & Gravel, aggregates producer WMK, and Hydro Conduit, a conduit pipe maker.

In the year to end-June, they made pre-tax profits of $47m on sales of $385m. Their net asset value is put at $363m.

The timing of CSR's announcement of its major US acquisition coincided with the release of results showing a continuation of its recent profits growth.

The deal, subject to regulatory approvals, is expected to be completed by mid-January.

The purchase will "dramatically strengthen CSR's role in the US construction materials industry," Mr Ian Burgess, managing director, said yesterday.

CSR became a significant force in the south-east of the US last year when it bought Rinker Materials Corporation in Florida for $515m and combined it with its 1987 acquisitions of Southern Aggregates, Krome Aggregates and Mack Industries.

Yesterday's deal, once completed, will give CSR 48 quarries in six states and 40 concrete pipe and products plants in 20 states.

Lex, Page 18

MARKETS

STERLING
New York lunchtime:
$1.5655
London:
$1.565 (1.5665)
DM2.8325 (2.85)
FFr9.655 (9.7075)
SFr2.52 (2.535)
Y224.75 (225.25)
£ Index 87.1 (87.2)

GOLD
New York: Comex Dec
$411.6 (404.4)
London:
$408.25 (404.25)

N SEA OIL (Argus)
Brent 15-day Jan
$18.575 (-0.05)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.81225
FFr6.18
SFr1.6115
Y143.335
London:
DM1.81 (1.82)
FFr6.17 (6.1975)
SFr1.6105 (1.6175)
Y143.65 (143.75)
$ Index 69.6 (same)
Tokyo close: Y143.88

US LUNCHTIME RATES
Fed Funds $8\frac{5}{16}$%
3-mo Treasury Bills:
yield: 7.83%
Long Bond:
$102\frac{1}{8}$
yield: 7.88%

STOCK INDICES
FT-SE 100:
2,192.3 (+7.2)
FT Ordinary:
1,734.4 (+2.6)
FT-A All-Share:
1,101.79 (+3.2)
New York lunchtime:
DJ Ind. Av.
2,645.90 (+6.61)
S&P Comp
340.87 (+1.28)
Tokyo: Nikkei
36,286.92 (+227.06)

LONDON MONEY
3-month interbank:
closing $15\frac{5}{32}$% ($15\frac{1}{8}$)
Liffe long gilt future:
Dec $90\frac{23}{32}$ ($90\frac{11}{16}$)

MARKET REPORTS: CURRENCIES, Page 40; BONDS, Pages 24, 25; COMMODITIES, Page 32; EQUITIES, Pages 33 (London), 41 (World)

CONTENTS

Australians fear that Bob Hawke may be losing his touch

For the first time in almost seven years, Australians are seriously contemplating the possibility that Prime Minister Bob Hawke will lose power at the next general election. A stream of "quick fix" decisions upset voters.
Page 17

EC and Efta to discuss economic zone next year

By David Buchan in Brussels

FAR-REACHING negotiations for a common economic zone between the European Community and the six states of the European Free Trade Association (Efta) can start next year, the European Commission yesterday told EC governments.

The Commission's conclusion, after several months of talks with Efta officials, appears to make it pretty certain that foreign ministers of the 18 European countries will give the green light to negotiations when they meet here on December 19.

Mr Frans Andriessen, the external affairs commissioner, forecast that the difficult negotiations to extend to Efta the Community' single market benefits of free movement of goods, services, capital and people, without jeopardising the autonomy of EC decision-making, could take up to a year.

The EC aim, Mr Andriessen said, would be to give Efta a say in the shaping, but not in the final taking, of future Community decisions. In a formal communication to EC governments, the Commission makes clear that Efta countries would have to accept existing EC rules, and in the areas of opening up their public sector markets and competition regulations Efta should follow the Community model. The creation of a new joint EC-Efta court, or occasional sitting of Efta-nominated judges on the bench of the European Court of Justice, would be needed to adjudicate on disputes arising out of any new EC-Efta treaty.

The new European economic zone could not be exclusive for all time to the 18 EC and Efta states, Mr Andriessen said, referring to the current sweeping changes in Eastern Europe. "One can never exclude the possibility that in the reform process now going in these countries that they might be able to fulfil the necessary conditions," to join an EC-Efta zone, he said.

Mr Andriessen praised the Efta six for speaking with one voice and noted their commitment to strengthening their internal decision-making and to collective negotiations. If negotiations succeeded, he suggested that individual Efta states would be less tempted to apply for full membership, as Austria - one of the efta six - has already done.

Efta ministers would not be able to take part in formal EC council meetings, since "only full EC members have full EC rights", he said. But a joint EC-Efta council might be set up to discuss foreign policy co-ordination, though it would not have the right to take binding decisions.

'Common passport' bank directive wins approval

By Lucy Kellaway in Strasbourg

THE SECOND banking directive cleared its final hurdle yesterday, as the European Parliament passed the draft agreed by member states in June.

Parliament's approval on this significant piece of single-market legislation will come as a relief to Sir Leon Brittan, the Commissioner responsible for the financial sector.

If the directive had been voted down, it could only have been subsequently adopted by member states on a unanimous vote. The legislation, which lays down the rules for the creation of a single market in banking surpluses, is being used as a model for legislation being prepared to cover insurance and financial services.

Under the directive's terms, qualifying banks will be issued a common passport that will allow them to operate in any member state.

They will continue to be regulated by the supervisory authorities in their home countries.

Kohl backs Mitterrand in support for union

By Lucy Kellaway in Strasbourg

MR HELMUT KOHL, the West German Chancellor, yesterday put his weight firmly behind the French Government in calling for further progress toward the political, economic and monetary union of Europe.

Mr Kohl was speaking to the European Parliament during a debate on Eastern Europe. The West German Chancellor's words added to the warning given yesterday by Mr Francois Mitterrand, the French President, to all member states to agree on economic and monetary union at next month's Strasbourg summit.

Contained in the speeches of both leaders was a warning to UK Prime Minister Margaret Thatcher not to slow down the process of European unity.

Mrs Thatcher is fiercely opposed to plans for speedy monetary union involving a common currency and a federalised central banking system.

She also plans to reject a Social Charter setting out fundamental rights for workers.

Mr Mitterrand said the Community's ability to help Eastern Europe was dependent on its rapid acceptance of economic and monetary union.

"Nothing will happen if we cannot agree on the internal market, according to the pace agreed upon," he said.

France, which currently holds the rotating EC presidency, wants the EC summit to convene a conference next autumn for a new treaty on monetary union.

It is also adamant that at least 11 EC leaders should adopt the Social Charter even if this means ditching Britain.

- European Commission President Jacques Delors has urged Bonn not to block an agreement to vet big company mergers that are changing the face of business in the European Community, commission sources said yesterday.

They said Delors wrote to West German Chancellor Helmut Kohl this week and requesting that he soften the demands that are threatening to torpedo long-running EC efforts to agree rules on mergers.

FT writers assess the immediate future of East Germany's economy and currency

Wind of realism blows through the Wall

THE breaching of the Berlin Wall, by dampening temporarily the flood of fugitives to the West, may have given East Germany's Socialist (Communist) Unity Party (SED) leadership a short psychological breathing space.

The Government appears however to have been caught unawares by the economic fall-out of the move. Far from lowering pressure on the regime of Mr Egon Krenz, signs are growing that these economic consequences may in fact worsen its chances of survival – and could considerably speed up prospects for unity between the two German states.

The opening of the borders for travel to the West has allowed out a torrent of unconvertible East German marks.

It has also brought in a dose of uncomfortable realism about the parlous predicament of the East German economy.

Ordinary East Germans who had previously half-believed government propaganda about Socialist economic success have been given a severe jolt. As Prof Wolfgang Mattheuer, a well known dissident artist from Leipzig, put it last week: "People find out what has actually been happening to them. They go abroad – and they find they have nothing."

The shock has been summed up by Der Morgen, the newspaper of the Liberal-Democratic Party, up to now a compliant coalition partner of the SED, which is now taking a more independent line. "The German Democratic Republic is in a deep crisis. Our economy is in a desolate state," it proclaimed in a special edition at the weekend.

The new government under Mr Hans Modrow, the Prime Minister, meets today to discuss controls to dampen heavy selling of marks. At exchange booths in the West, the East German currency fell to only 5 West German pfennigs at the end of last week.

Buying of marks by East German citizens importing cash for spending back at home drove the rate up again slightly at the beginning of this week.

But Mr Modrow's discomfort over the sharp fluctuations well illustrate the limits to attempts to bring in a more "market-orientated" planned economy.

Ms Christa Luft, the new Economy Minister brought in to try to decentralise the rigid planning structure built up over four decades, speaks of the need to bring in Western expertise and finance. But she declares that this will not involve any departure from socialist principles.

One East Berlin monetary official this week, pointing to the need for customs checks of people departing through the greatly-increased number of border crossings, said that the Wall should remain – as an instrument of exchange control. "In spite of all the opening, the Wall cannot be demolished," he said firmly. He added that there were no "quick fixes" to currency convertibility, which would take 10 to 15 years.

The collapse in the value of the mark exposes East Germany to a series of threats.

Foreigners as well as its own citizens with access to hard currencies can buy up cheap stocks of marks with which to purchase subsidised goods in East German shops. The division of society into those with access to D-Marks and those without seems certain to increase – providing fertile ground for social tensions.

East Germany's monetary mess will almost inevitably to increase its financial dependence on West Germany. The Bonn Government, which is holding out the prospect of a "new dimension" of economic aid for East Berlin in return for genuine free elections, has strong cards in its hand.

If the D-Mark were gradually to be introduced as a "parallel" currency, this would add greatly to East Germany's already grave crisis of credibility. Undermining East Germany's monetary sovereignty will, over time, uproot its political independence.

West German bankers now talking openly of reunification like Mr Alfred Herrhausen, chief executive of the Deutsche Bank, know that they have the best possible incentive for building up loans and business links with East Berlin.

One day, they believe, they will be running East Germany's economy as well as that of the Federal Republic.

David Marsh

East German mark struggles under 'monetary overhang'

THE contemptuous treatment of the East German mark by the "capitalist speculators" in the money markets of West Berlin, Zurich and Vienna, has no doubt reminded some old Communists why they built the wall in the first place. But does it matter?

The East German authorities may be realising that abandoning pseudo-sovereignty is the key to wealth but they still fear losing control of their currency. The state bank in East Berlin reckons that about Marks 500m are now held outside the country, which is scarcely enough to allow the feared "buy-up" of the country by foreigners.

But an open monetary border could release the so-called "monetary overhang" – the estimated Marks 150bn sitting in savings accounts in East Germany – causing either domestic inflation (as the Government tries to free prices) or a massive flight to the West German black market, which would further weaken the currency and hand enormous purchasing power to foreigners.

The Government would suffer from an unfavourable exchange rate because of its own growing need for hard currency – not just to pay for economic reform but also to satisfy the newly-awakened popular lust to consume West German goods. West German companies will also find joint ventures less attractive without a reasonably-firm exchange rate.

However, according to Mr Dieter Hiss, president of the West Berlin state bank, some politicians in Bonn are showing less understanding for East Germany's problems by calling for a currency reform.

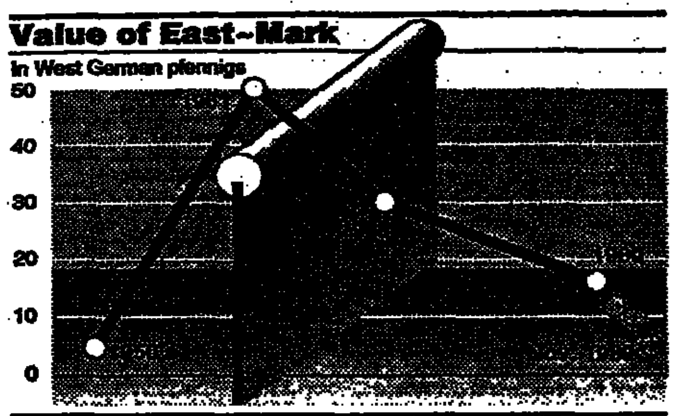
He says that neither currency reform nor convertibility are priorities and that the existing currency will win confidence only after effective economic reform. Meanwhile, he believes, the two currencies can co-exist just as the dollar has co-existed with domestic currencies in many parts of the world.

The currency problem is just one symptom of the weaknesses that stepping out of socialist autarchy into a form of inter-dependence with the capitalist world has exposed. An even bigger one is the absence of reliable economic statistics.

Lack of a proper pricing system means East Germany does not know which its most efficient companies are. Lack of reliable monetary data means it does not know how big a potential problem the monetary overhang is. If prices are to be freed in the next few months, the authorities will have to start inventing monetary policy.

East German economic managers now have the unenviable task of trying to create a proper banking and price system, reduce subsidies, widen wage differentials, break up the Kombinate system – and all with an open border to a rich capitalist country beckoning away its labour and crushing its currency.

As yet, there is little money from West Germany to ease the transition but there is no shortage of advice.



One of the few imaginative suggestions has come from Mr Ulrich Pfeiffer, a Bonn-based economic consultant, who says that the authorities should sell citizens their flats and destroy the monetary proceeds, thus wiping out the overhang and giving people more of a stake in the system. If that is considered too radical, he suggests that the Government should buy consumer goods at wholesale prices in West Germany and sell them at retail prices in East Germany. If the frustrated East German faces in West Berlin stores are any judge, it may be the only way to stop more disintegration.

David Goodhart

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EUROPEAN NEWS

Leningrad party leader removed from his post

By John Parker in Moscow

MR ANATOLY GERASIMOV was yesterday squeezed out of his job as Communist party chief of the city of Leningrad, where the party was embarrassed in multi-candidate elections earlier this year.

His removal came a day after the party organisation in Moscow had replaced its own leader, Mr Lev Zaikov, a member of the politburo.

Mr Gerasimov was replaced by Mr Boris Gidaspov, who was named head of a unified city and regional party structure at a meeting of party leaders, according to the Soviet news agency, Tass.

Mr Gidaspov was elected four months ago to lead the Leningrad regional party organisation after its embarrassing defeat in the Congress of People's Deputies elections last March.

The regional party leader at the time, Mr Yuri Solovyev, who was also a candidate member of the politburo, was defeated in those elections even though unopposed. He failed to receive the necessary 50 per cent of the vote.

Since then, Leningrad has been the testing ground for the election of Communist party officials to jobs on the basis of popular vote, a move advocated by President Mikhail Gorbachev over the objections of many conservatives.

Earlier this year, as a preparation for this, Communist party officials in Leningrad had their first opportunity to vote for competing candidates for the post of regional leader. That was the election Mr Gidaspov won. The idea was that the party would elect the person most acceptable to the voters.

Similar electoral procedures were later used in the Ukraine, to choose a successor to the party leader, Mr Vladimir Shcherbitsky, and in Moscow for Mr Zaikov.

Local party organisations will be facing elections over the next few months and are trying to restructure themselves to avoid similar defeats to those they suffered last March.

Tass said discussion at the Leningrad party meeting was "sharp and open." "Open accusations of indecisiveness, incompetence, trying to avoid decisions on contemporary problems were levelled at many party and government leaders," it reported.

Popular elections to city government posts are to be held in Leningrad next March. The city has been the scene of intense debate over the rules for these polls and may be used as a model for other cities in the Russian Federation.

Mr Gidaspov has proposed that the elections be organised on the basis of where people work, rather than where they live. This is opposed by more radical Leningraders on the grounds that it would give conservative trade union leaders the opportunity to influence the outcome.

Gorbachev and Mitterrand to meet next month in Kiev

MR Mikhail Gorbachev, the Soviet president, will have brief talks with French President François Mitterrand on December 6 in the Ukrainian capital, Kiev, Tass said yesterday, Reuter reports from Moscow.

The official Soviet news agency said the talks would cover "the development of the international and European situation". It gave no further details.

The two men last met in July, during Mr Gorbachev's state visit to Paris, when 22 accords on trade and economic co-operation were signed between the two countries.

The Kiev meeting will come only three days after Mr Gorbachev's summit talks with US President George Bush aboard warships off Malta and five days after his visit to Italy and the Vatican.

Time runs out for Jakes as party unity cracks

Demonstrators in Prague are baying for the Czechoslovak leader's blood, reports Leslie Colitt

"THE situation is so fluid that he could fall in hours, days or at the latest weeks," a senior Czechoslovak Communist official said yesterday.

He was referring to Mr Milos Jakes, the hapless hardline party leader who is faced with massive pro-democracy demonstrations, the largest in Czechoslovakia since 1968.

"Party unity is cracking and Mr Jakes is being driven by the protesters in the streets," he noted in the office of his well-guarded party building.

Outside, the first mimeographed student notice calling for free elections had been pasted on the imposing facade of the party building. Elsewhere in Prague, walls and underground stations were plastered with opposition posters calling for Mr Jakes to resign and threatening a general strike next Monday if their demands were not met.

A party spokesman said that a special Central Committee meeting would be held this week to discuss the demonstrations and the prospect of a general strike. The meeting was thought likely to "relieve" Mr Jakes of his duties and appoint a successor.

The official compared the "dynamic" situation in Prague with that in East Germany shortly before Mr Erich Honecker was deposed as party leader. Mr Jakes's speech on Tuesday calling for calm but addressing none of the opposition's demands probably cost him what little support he had left in the party, the official noted.

The new party leader, he said, was likely to be Mr Ladislav Adamec, the Prime Minister, who began talks with the opposition this week. Unlike Mr Jakes, who purged the party of reformers after the Soviet-led invasion in 1968, Mr Adamec was relatively untainted.

No one else in the hardline Politburo stood as great a chance to succeed Mr Jakes. Only Mr Karel Urbanek, the party chief in the Czech lands of Bohemia and Moravia, was regarded to be even remotely in the running for the top post.

"The situation is depressing," the official said, shaking his head. "This is the outcome of 21 years of trying to turn the clock back."

In fact, the clocks on streets in central Prague had been stopped at five minutes to twelve in a symbolic gesture by an opposition sympathiser who pulled the power switch.

Mr Adamec was unlikely to be more than a transitional leader, the party official remarked.

His successor as Prime Minister would probably be Mr Jozef Lenart, a Politburo member in sympathy with Mr Adamec's reformist leanings. However Mr Pavel Hrivnak, the Prime Minister of Slovakia, was an outside possibility as Prime Minister.

The party official noted that while many workers were not responding to the opposition's calls to demonstrate, younger skilled workers were taking part in the daily demonstrations in Prague and other cities.

The students leading the protest had been barred from talking with workers in factories but had received messages of support for the general strike from several factories.

The official rejected speculation that the party might use force against the demonstrators as it did last Friday when more than 100 protesters were injured, many severely.

"Violence would be senseless and could only help the opposition," he noted.

Taking leave of his visitor from the West, the official remarked with a weary smile: "Maybe you will see me in a different position the next time we meet."

At my Prague hotel Mr Vladimir Prohaska, the manager, half-heartedly fought a rearguard action to convince employees at a meeting that the opposition's demands could lead to Polish-style "chaos."

Jakes: this week's speech cost him support

Poland's Solidarity premier faces tough talking in Moscow

By Christopher Bobinski in Warsaw

MR Tadeusz Mazowiecki, Poland's Prime Minister, who starts a four-day visit to the Soviet Union this evening, knows that despite the stirring events in Czechoslovakia, Hungary and East Germany, he is breaking new ground. For, as one by one, the Socialist bloc countries awaken politically, Poland, which managed a peaceful transfer of power from the Communists last summer, now has to show that a government led by an erstwhile opposition can have a viable relationship with Moscow.

Last month, Mr Eduard Shevardnadze, the Soviet Foreign Minister, in Warsaw for a foreign ministers' meeting, demonstrated that the Soviet leadership is willing to deal with the Poles.

It is clear that Mr Mikhail Gorbachev, the Soviet president, accepts Mr Mazowiecki's line that Poland, while retaining allegiance to the Warsaw Pact, must be free to arrange its internal affairs. Ms Malgorzata Niezabitowska, the Polish government's spokesman yesterday reiterated that for Poland "the Soviet Union remains the guarantor of its national security and most important trading partner."

At the back of her mind was, of course, Poland's western frontier and fears that, in the future, a united Germany may choose to question the post-war order. The events in Germany will, Ms Niezabitowska said, be raised in the talks. The agenda will also contain the once-taboo subject of Poles who living in the Soviet Union and their cultural welfare.

But it is economic issues which will be hardest to negotiate. The Poles, facing a petrol crisis, have to secure Soviet raw materials supplies for the period 1991 to 1995.

The problem is how Poland will pay for these commodities, costing 16.3bn roubles over the five years. The Soviets, in return, want more consumer goods than the Polish economy has been accustomed to supplying or, failing that, machinery with which to make consumer goods, as opposed to equipment for making capital goods which the Poles have provisionally delivered.

Also, the Poles, who have been offered 40bn cubic metres of gas in the five-year period, would like an additional 10bn cu m in exchange for the costly work on the Jamburg pipeline.

Payment is also a vexed question and the Soviets, who have oil and gas which are marketable for hard currency, are happy to calculate the value of the trade in dollars.

The Poles, with their machinery, which would fetch lower prices on world markets, are less eager and estimates in Warsaw on Poland's possible loss if values were calculated in dollars range from \$1bn to \$2.5bn.

Naturally, Mr Mazowiecki will also be asking the Soviets to let him repay his 6bn roubles debt after 1995 and ease the terms of the \$1.5bn Poland owes its Eastern neighbours.

His agenda also includes the problem of compensation for Poles deported to the Soviet Union during the war and after, as well as Soviet acknowledgement of a review by the Poles of the past costs and current agreement relating to the stationing Soviet troops in Poland.

Soviet deputy premier calls for wide co-operation with the EC

By Quentin Peel in Brussels

DR LEONID ABALKIN, the Soviet Deputy Premier and chief architect of economic reform, yesterday called for "mutually beneficial, unrestrained co-operation" with the European Community, but rejected any suggestion of Western aid for the ailing Soviet economy.

However, he did express an interest in President Francois Mitterrand's plan for an East European development bank and called for further details to determine whether the Soviet Union should participate.

He also suggested that the Soviet Union was prepared to offer hitherto secret defence and space technology in future joint ventures with Western partners while renewing Soviet criticism of the Cocom restrictions on the export of sensitive Western technology.

Dr Abalkin, speaking after a seminar at the European Commission on Soviet economic reform, coinciding with the latest round of Soviet-EC negotiations on a trade and co-operation agreement, insisted that the Soviet Union was prepared to suffer continuing economic austerity, rather than turn to the West for assistance.

Yet he warned that "a failure of perestroika in the Soviet Union would destabilise the situation not just in the USSR but elsewhere."

The Deputy Prime Minister, who held talks with Mr Jacques Delors, the president of the European Commission, and Mr Frans Andriessen, the vice-president responsible for external relations, during his trip, was much less insistent than previous Soviet officials on the role of Comecon, the Soviet-led trade group, in relations with the EC.

He underlined the need for Comecon's own radical restructuring and monetary reform in line with the changes in member states like the USSR, Poland, Hungary and now the GDR. Questioned on Soviet participation in a development bank, as suggested by President Mitterrand, he said: "we need to take a closer look at it.

"We need an outline, a blueprint: who would control the resources of the bank, who would have the right to vote on the allocation of resources, would there be any conditions attached to assistance, who would have a controlling interest and would Soviet participation be as a founding member or just a participant?".

On technological co-operation, he said: "The Soviet Union has something it can offer, several lines of technology that have not yet been developed in the West. This has become clear since we lifted the lid of secrecy from our defence and space programmes. We want to act as partners on the basis of equality."

He said that Cocom "has not been affected by current developments."

He suggested that transfer of sensitive technology could be inspected to ensure that it was not used in defence production, just as the destruction of Soviet nuclear missiles is verified under the INF treaty.

"Nobody has an interest in ensuring that Soviet people are kept below the poverty level," he said, citing a figure of 40 million as official estimates for the number on sub-poverty incomes in the USSR. "I don't think it is a good idea just to maintain the status quo."

SA Cabinet cold shoulders private synfuels projects

By Jim Jones in Johannesburg

SOUTH AFRICA'S Cabinet has blocked two private sector synfuels projects – officially because of low oil prices and a scarcity of capital. But, unofficially it seems to be because the threat of oil embargoes has receded.

The two projects, backed by the country's two largest mining houses, would depend on guaranteed liquid fuel prices and protection from low world oil prices.

The larger of the two projects was a joint venture between AECI, the largest diversified chemicals group, and Anglo American Coal Corp (Amcoal), South Africa's largest coal company. They had hoped to establish a plant to produce methanol from coal and to convert the methanol for use in vehicle engines using special additives developed by AECI.

The smaller, backed by the Gencor mining group, was based on recovery of petrol from torbanite, an oil shale. Both projects could not compete against conventional oil refineries without protection and, possibly, financial assistance from the state.

They also needed government scheduling because the country's engineering sector's skills and resources are already strained by other large engineering and infrastructural projects.

Details of oil purchases and consumption are a state secret. However, South Africa has, for many years, produced about half of its petrol needs from coal at the Sasol synfuels plants in the eastern Transvaal.

Sasol was established with state funds shortly after the war but expanded significantly 10 years ago during the oil crises and at a time when South Africa's crude supplies were felt to be threatened. It now provides all the petrol sold in the Transvaal and Orange Free State provinces and over large parts of the sparsely-populated northern Cape.

Until the Iranian revolution most of the country's crude came from Iran, but the fall of the Shah accelerated the South African search for domestic oil and gas. This has culminated in the development of off-shore gas wells off the Cape coast near the town of Mossel Bay and the erection of a plant to convert the gas into motor and aviation fuels. However, the Mossel Bay off-shore recovery operation and the on-shore conversion plant are now expected to cost as much as 20 per cent more than their originally budgeted Rands 6.5 bn (£1.59bn)

Recently, Mr Jan Hoogendoorn, a former senior executive of Sasol, threw a cat among the pigeons when he criticised the Mossel Bay venture and estimated its synthetic liquid fuel would cost about Rands 1,700 per tonne against world fuel prices of about Rands 550 per tonne.

During Sasol's last financial year sales of synfuels, which are linked to international crude oil prices, stagnated although national petrol consumption rose by 6.6 per cent on the previous year. Mr Jan Stegmann, its chairman, said that tariff protection was still needed against crude oil.

Death squad allegations backed by church inquiry

By Jim Jones

ALLEGATIONS by Mr Butana Nofomela, a death-row prisoner that anti-apartheid activists have been killed by South African police death squads throughout the 1980s have been corroborated in an independent investigation by the South African Council of Churches (SACC).

The corroboration was made public in Johannesburg yesterday by civil rights lawyers who are uneasy over the conduct of an official investigation ordered by Mr Adriaan Vlok, the law and order minister.

Inquiries by the Churches' Independent Board of Investigation into Informal Repression (IBIIR) turned up diverse evidence, including medical reports and details of attacks described by Mr Nofomela but not extensively reported in the press at the time.

Yesterday, the family of Mr Griffith Mxenge, a human rights lawyer assassinated in 1981, said they were dissatisfied that the police were effectively carrying out their own investigation. They said they hoped that public pressure would force the appointment of independent investigators.

The results of the SACC's investigations have been handed to the McNally Commission, which is investigating the testimony of Mr Nofomela. His allegations have been subsequently corroborated by a self-confessed death squad leader, former police captain Dirk Coetzee, and Constable David Tshikalange.

Political observers believe that if President De Klerk orders a judicial inquiry, he will use the opportunity to purge the police force and other security organisations of some officers appointed when ex-President P.W. Botha was in office.

Sharp rise in babies with AIDS virus in sub-Sahara

By Michael Holman

NEARLY 80,000 infants infected with HIV, the virus that causes AIDS, were born in sub-Saharan Africa between 1980 and 1987, according to a report published yesterday by the Panos Institute, the London-based development institute. By 1992 the figure will have risen to an estimated 250,000.

The study deals with the worldwide threat to children from AIDS either born infected with HIV from their mothers, or through intravenous drug use or sexual activity. The report cites findings in Brazil, where nearly 9 per cent of 8,000 children tested in state institutions were HIV positive, and Jamaica, where one in eight AIDS cases are children under 15. In the US last year, 1,500-2,000 children became infected from their mothers.

"AIDS in children may be one of the most neglected of all aspects of child welfare," Mr Jon Tinker, the institute's president, said yesterday.

One in five babies born with HIV develop AIDS before their first birthday, rising to four in five before their fifth birthday. "At the other end of childhood, among teens and subteens, there is a growing AIDS epidemic," warned Mr Tinker.

"AIDS and Children: a family disease," published by the Panos Institute, 8 Alfred Place, London WC1 7EB. Tel: (01) 631 1590, in association with Save the Children.

Murder in Beirut ends slender prospects for peace

Lara Marlowe reports on the narrowing options for forming any government in Lebanon

YESTERDAY, Lebanon's tenuous hopes for peace and reconciliation were shattered by the brutal assassination of President Rene Moawad.

Just two and a half weeks ago, residents of Mr Moawad's home town of Zghorta had danced in the streets and showered him with rose water, rice and champagne to celebrate his election to the presidency.

Mr Lakhdar Ibrahimi, the Arab League's special envoy to Lebanon who had engineered the election, displayed a tired smile of relief. The country's new-found confidence in its own future found expression in a precipitous rise of the Lebanese pound. Congratulations poured in from governments around the world. Posters of the avuncular Christian lawyer went up on walls around the Moslem quarters of the city.

In East Beirut, Christian General Michel Aoun heads a three-man military government that is bound to be blamed – and never forgiven – by the rest of the country for the murder.

Policemen and officials check the wreckage of President Moawad's car yesterday

The rest of the country contains approximately three quarters of Lebanon's population and is now virtually without government. Gen Aoun's refusal to accept the Taif agreement, the election of Mr Moawad, or even any question of mediation between himself and the new head of state, had strengthened the country's de facto partition.

In his almost daily television appearances, Gen Aoun continued to insist that he wanted to "liberate" all of Lebanon. But his supporters – the lower middle class workers, taxi drivers, shop keepers and merchants who turned out in droves at his rallies – invariably told reporters that they could not live with the Moslems, that they wanted the general, not Mr Moawad as their leader, and that they wanted their own government. There was a consensus in Beirut that the stalemate would last at least through the winter.

Hopes of a unified Lebanese government had diminished daily. Mr Moawad's fellow Christian politicians, fearing retribution from Gen Aoun and anxious to avoid division among Lebanon's Christian minority, baulked at joining his cabinet. The assassinated president knew that without Christian ministers, his government was doomed to represent only those sectors of the country under Syrian control.

Mr Georges Saadeh, the leader of the Christian Phalange Party, wanted to accept a portfolio and even said that Gen Aoun would be "no more than a militia leader" once the government was formed. Yet even Mr Saadeh hesitated to break ranks with his fellow Maronites.

Dr Selim el Hoss, the Prime Minister, and Mr Husseini al-Husseini, the speaker of the parliament, are all that remains of the inchoate cabinet. Without a presidential decree to ratify their decision, they cannot form a government.

Both men held urgent talks in their homes last night in which they addressed the daunting prospect of their own and Lebanon's future.

The Taif accords which were ratified on October 23 by 58 Lebanese MPs remain intact, and hence the only basis for starting anew. Mr Husseini was reported to be attempting to reconvene a quorum of parliamentarians to elect a new president as quickly as possible.

Mr Saadeh and Mr Elias Hraoui, both Maronite deputies, were the only other candidates to have received votes in the November 5 election and their names are already being mentioned as possible successors to President Moawad.

But will the ageing MPs who showed such courage in travelling first to Saudi Arabia, then to Qlaiaat for the presidential election, now be brave enough to assemble yet again and is there anyone willing to assume what must be the most dangerous job in the world – president of a divided, assassination-prone Lebanon?

Gen Aoun has said repeatedly that he would negotiate only with the Syrian government, which maintains 40,000 troops in Lebanon. In his independence day speech yesterday, Gen Aoun called the soon-to-be-deceased president a powerless "letter box or a clerk" for the Syrian army.

If Mr Husseini and Dr Hoss are unable to reconvene parliament and elect a new president quickly, the murderers of President Moawad may have ensured that no-one but the Syrian government is left to negotiate with Gen Aoun.

Tokyo 'may overtake' NY and London

By Chris Sherwell in Sydney

ASIA AND Oceania are moving towards the formation of a "horizontal" trading region in the 1990s and, with countries in that area increasingly exchanging goods, the yen will emerge as a reserve currency and Tokyo is likely to become a larger financial centre than New York or London.

This was the firm prediction yesterday from Dr Yoshio Suzuki, former executive director of the Bank of Japan and vice-chairman of the board of councillors at the Nomura Research Institute.

In Sydney, Dr Suzuki was speaking at the launch of a 350-page study on Australia and north-east Asia by Dr Ross Garnaut, a senior Australian academic. The study was commissioned by Mr Bob Hawke, the Prime Minister.

Dr Suzuki said north-east Asia would become one of three "big economic zones" along with North America and Western Europe, and would form a "trade area" with the other countries of Asia and Oceania.

The region's trade with itself was already greater than its trade with the US, and would exceed 50 per cent of the total during the 1990s, Dr Suzuki said. The US, as the world's largest net debtor, would continue to contain its imports, while Japan, as largest net creditor, would expand its imports.

"Exchanges of finished goods among Asian countries, the intra-horizontal trade in Asia, is now developing for the first time in Asian history, supported by the increasing direct investment and technology transfer from north-east Asia to south-east Asia."

The dollar would stay as an international currency, but its role would decline, and that of the yen would increase "at least as a reserve currency, because the dollar will depreciate against the yen".

Japan will want to give Asian countries easier access to the Tokyo financial market to invest in yen assets or borrow in yen, and Tokyo "will become a far larger financial centre than the New York and London markets," he predicted.

Violence mars Indian election

By David Housego

THE FIRST day of polling in India's general election was marked by widespread violence, with both the ruling Congress and the opposition Janata Dal accusing each other of attempting to rig the results in certain key constituencies.

At least 32 people were killed in Andhra Pradesh, Haryana and elsewhere, including Mr Vallabhbhai Patel, Minister of Health in the western state of Gujarat. Many more were injured, while polling was suspended in several places after booths were taken over by force and ballot boxes seized.

Turnout in the first round of polling involving 221 of the 525 seats being contested was a high 55-60 per cent. If confirmed in the further rounds of voting on Friday and Sunday, this would be at the same level as 1977 and 1984, which saw landslide swings against Congress and then in favour of it.

Among the first voters in Delhi was Mr Rajiv Gandhi, the Prime Minister. Asked about the Congress party's election prospects, he said: "We are going to win".

In Mr Gandhi's constituency of Amethi in Uttar Pradesh, his opponent, Mr Rajmohan Gandhi, grandson of the Mahatma, called for the election to be annulled because of what he described as "massive poll rigging" and "booth capturing" by the Prime Minister's supporters. The opposition National Front called for a fresh poll in Amethi.

Some of the worst violence was in the southern state of Andhra Pradesh where at least 13 people were killed. Polling in one constituency was annulled after the killing of an independent candidate. In Andhra, the regional party of Mr N.T. Rama Rao, the Chief Minister and President of the Opposition National Front, is on the defensive against Congress.

Violence and accusations of fraud were widespread in Haryana in the north, where another senior leader of the opposition, Mr Devi Lal, is Chief Minister. The Congress party last night demanded re-elections in two constituencies.

Mr Patel, the Gujarat health minister, died after being stabbed by a youth when entering his car after an election meeting. Another well-known figure to be wounded was Mr Sanjay Singh, a politician and big landlord in Amethi. Formerly, he managed the Prime Minister's campaign there, but has now switched sides.

Among the states recording the highest turnout were Kerala and Andhra Pradesh.

A smiling Rajiv Gandhi casts his vote in New Delhi yesterday

'If you vote, Banjit Singh – you'll die'

By David Housego and K.K. Sharma in Baghpat, Uttar Pradesh

MR BANJIT SINGH, 50, is a Harijan (Untouchable) in the village of Sarurpur Kalan in Uttar Pradesh, north of Delhi.

When he went to vote yesterday morning, shortly after polling in India's general election had begun, he was informed that his vote had already been cast. He said afterwards: "I was told to go home, otherwise I would be shot."

In this prosperous sugar-farming belt dominated by farmers of the Jat caste, he had good reason to take this threat seriously. A few miles down the road in Baghpat, we were the first people to stop beside a young man lying at a cross roads who had been shot in the back. Two hundred yards away, another young man lay dead beside his scooter – also with gun wounds in the back.

Both had been shot after fighting broke out between supporters of the ruling Congress party and the opposition Janata Dal over a polling booth in a Moslem area.

The surprise in India is that so many exercise their vote freely on polling day. But there are pockets of the country that are exceptions. Here in the Baghpat constituency, where for years the local MP was Chaudhuri Charan Singh, the farmers' leader and briefly in the 1970s, the country's Prime Minister, Jat farmers have long used force to get their candidates returned in elections.

In the Harijan quarter of this village – marked by its squalor and poorly maintained thatched-roof houses – few, if any Harijans, were yesterday able to vote. The Harijans normally vote for Congress. But yesterday Jat farmers went early to the polling booth, claimed to be Harijans and voted in their name for the Janata Dal. By mid-morning, 60 per cent of the 1,100 people on the polling register had "voted".

Polling agents for both the Congress party and the Janata Dal were remarkably uninhibited in explaining the background to the tale. The village held a council meeting on Tuesday to which the Harijans were summoned. They were told that "it was not worth their while voting".

Mr Banjit Singh had the courage to try to vote and the courage to explain how he had been turned away. Most other Harijans – as we walked round the village followed by threatening Jat farmers – said they had not yet been to vote or had done so without trouble.

The local Congress agent said that he had seen about 10 Jats repeatedly passing through the polling booth and casting votes on the Harijans' behalf. A Janata Dal agent did not dispute the account. He asked: "Does democracy here have any real meaning?"

In the polling booth, the polling officer said: "We have had no complaints. There has been no unrest". He and his officials had apparently been silent witnesses to an occurrence not unfamiliar in Sarurpur. Mr Harbir Singh, the Congress agent, said he had tried to register a complaint with the district magistrate's office but it had refused to accept one.

In Sarurpur, the booth capturing was carried out by Janata Dal supporters. In Baghpat, where the killings occurred, it was Congress supporters who seized control of a booth in a Moslem area. The fight broke out when the Janata Dal tried to regain control of it.

Snowy exile for former S Korean president

IN A remote Buddhist temple in the snowy northern mountains of South Korea, the country's former President will today celebrate his first anniversary in internal exile.

The temple has been home to Mr Chun Doo Hwan and his wife ever since he went on television last November to apologise for wrongs committed during his regime.

The former President has also paid back funds to the state. But he knows that for the South Korean public and the opposition leaders who were persecuted during his rule, neither is enough to enable him safely to return from exile and live a normal life. To do that, Mr Chun will have to make further concessions.

The ruling party is calling for him to appear before the democratically elected National Assembly and explain the history of his government, from the time he took power in a military coup in 1979. In addition, a number of his friends still in important positions must resign, notably Mr Chung Young, a military general and classmate of Mr Chun.

Mr Chung is held responsible for the 1980 military killings in the provincial city of Kwangju, where at least 200 people died when the army stepped in to quell demonstrations in favour of democracy.

Maggie Ford explains why Chun Doo Hwan is living in a remote Buddhist temple

The process of solving what is known as the irregularities of the Fifth Republic has impeded South Korea's progress to democracy since the 1987 nationwide demonstrations forced *reforms*.

Opposition leaders stress they do not seek revenge, only to discover the truth.

The position is complicated because President Roh Tae Woo, the former general who has presided over the past two years of reform, was himself involved in the 1979 coup. The President has pledged that the legacy of the former Government will be overcome in the next two to three months, and opposition leaders have set a deadline of next spring.

A major effort has been launched inside the ruling Democratic Justice Party to persuade Mr Chung and the former President to make the concessions for the good of the country and its future.

But the effort is encountering stiff resistance. Last week, about 15,000 supporters of Mr Chung demonstrated in the city of Taegu, protesting against efforts to force his resignation. Taegu is also the home of Mr Roh and other military officers. A group of at least 20 ruling party MPs have rejected the plan by the party leadership that Mr Chung should resign.

The next few weeks may be crucial. Negotiations are continuing over the deal proposed by the ruling party, and opposition leaders are hoping to meet the President on his return from Europe to conclude a formal agreement.

But few can be certain of a positive outcome by the end of the year. If there is no deal by then President Roh is likely to face an all-out campaign by the opposition to unseat him next spring.

Recruit affair returns to haunt Japan ruling party

The start of court actions threatens to set back the LDP's political recovery, writes **Stefan Wagstyl** in Tokyo

JAPAN'S RULING Liberal Democratic Party is bracing itself for a revival of public interest in the Recruit financial scandal when court trials arising from the affair start tomorrow.

The man-in-the-street's reaction to the publicity which will be given to the hearings in the Japanese press will play a role in determining the date of the next general election.

The cases are unlikely to stir passions to the same extent as they did earlier this year, when popular support for the LDP plunged to an *all-time* low. But LDP politicians fear trial reports may slow the party's steady recovery.

Photographs of the main defendants have started reappearing in the newspapers. *They are Mr Hiromasa Ezoe,* former head of the Recruit business information company, Mr Hisashi Shinto, ex-chairman of Nippon Telegraph and Telephone (NTT), Japan's largest corporation, and Mr Takao Fujinami, Chief Cabinet Secretary in the government of former Premier Yasuhiro Nakasone.

The hearings will concern allegations that Mr Ezoe tried to bribe Mr Shinto, Mr Fujinami, Mr Katsuya Ikeda, a leading member of the opposition Komei party, and others by offering them pre-flotation shares in Recruit Cosmos, which went public in 1986.

The main political impact will be to remind voters of the enormity of the affair, which led Mr Noboru Takeshita to quit as Prime Minister and to the suicide of one of his aides.

However, the trials will stretch over months. Initial hearings will last a day or two, after which there will be an *adjournment for three or four* months while the judges read the documents.

Also, even though the Recruit affair stirred wide-ranging attacks on political corruption, it has been overshadowed for voters by the controversy about a consumption tax, introduced by the LDP in April.

It was the tax rather than Recruit which was the biggest single reason for the LDP's defeat in elections in the summer, when it lost control of the Diet's upper house for the first time in more than 30 years. Since then, a tedious debate over the tax has dominated Japanese politics, with the opposition parties demanding abolition and the LDP responding with promises of limited reforms.

Within the LDP there are differences about how much reform will be necessary to assuage voters. On one side is Mr Takeshita, who sees the tax *as the chief achievement of his* administration, on the other are LDP leaders who say they never wanted it. However, there is growing consensus about excluding food, school and maternity hospital bills from tax.

An election has to be called by next summer. For LDP leaders, setting a date is a matter of balancing their own interests and the party's. The LDP as a whole has gained enough ground since the upper house disaster to have greatly reduced chances of a resounding general election defeat.

Mr Toshiki Kaifu, Prime Minister since August, has made the most of a rebound in public sympathy for the ruling party while doubts have multiplied about the opposition Japan Socialist Party's ability to lead a government. Analysts now say the LDP could retain its overall majority in the lower house.

Indeed, Mr Kaifu, a clean *politician with little clout* inside the party, has been so successful that he has annoyed the party's power brokers who saw him as a stop-gap. Mr Takeshita and Mr Shin Kanemaru, who lead the LDP's largest faction, want an early election to prevent Mr Kaifu consolidating his position. They are supported by Mr Ichiro Ozawa, their protégée and member of the same younger generation of Dietmen as Mr Kaifu.

However, Mr Takeshita and Mr Kanemaru have been forced to recognise that the Recruit trials have made a December election very risky. It seems they will have to accept Mr Kaifu's tentative plans for elections in mid-February. This allows Mr Kaifu time to present to the Diet the party's tax reform plan and next year's budget – an opportunity to hand out a few financial favours to voters. It also gives him time to establish himself more firmly at the helm.

So, *even though* there is much about the Recruit affair which is disappearing into history, the trials play a central part in the debates of LDP leaders.

Mieno to become central bank chief

By Robert Thomson in Tokyo

THE NEW governor of Japan's central bank is to be Mr Yasushi Mieno, the Government announced yesterday. He will take over in December when Mr Satoshi Sumita retires.

Mr Mieno's promotion from senior deputy governor of the bank has been presumed for several months, as he has been the bank's representative at several important international gatherings this year and was the popular choice within the bank itself.

The appointment of the 65-year-old career banker did not come without politicking. The Japanese financial press had reported concern within the *Government late last year that* Mr Mieno, who has worked at the bank for 42 years, did not have enough international experience to cope with the bank's broadened international responsibilities.

Mr Mieno, who had been dubbed the "prince of the Bank of Japan", was the bank's associate representative in New York from 1958 to 1960, and became *senior* deputy governor in December 1984, when Mr Sumita began his five-year term.

The appointment is not expected to lead to a change in the bank's policies, which have been designed in the past year to deal with domestic concerns about inflation and international concerns about the strength of the US dollar.

Mr Mieno will be succeeded in his present post by Mr Hiroshi Yoshimoto, the president of the Government-affiliated People's Finance Corporation and a former director-general of the financial bureau of the Ministry of Finance.

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OVERSEAS NEWS

Environment caught in trade war crossfire

John Murray Brown reports on the Indonesian Government's dilemma over its forests

"WHY provide a living for an orangutan and not for us?" was how Forestry Minister Mr Hasrul Harahap answered his Japanese critics earlier this month at the end of a hectic world tour to promote Indonesia's new look environment policy.

Indonesia today is desperately groping for its own solutions to the global environment crisis torn between the demands of vote-conscious Western donors worried at the effect of climatic warming and its own poverty-racked population of 175m.

The signals from Jakarta are increasingly confused. In a speech in August, President Suharto confirmed government plans to set aside $300m a year to replant 300,000 hectares of tropical forest currently disappearing at a rate of 1m hectares every year – more than the UK's Forestry Commission has planted in more than 40 years since the Second World War.

President Suharto urged international support for Indonesia's programme which without assistance would take 65 years to achieve the targeted 20m hectares of new plantings.

Yet the suspicion remains that this is a cosmetic gesture which does little to tackle the corruption and mismanagement in the forests sector or address the complaints of local communities overrun by commercial logging concerns.

The World Bank in an alarming report last year by its new environmental division estimated that even excluding the ecological damage, deforestation in Indonesia represents a loss of $1bn every year, offsetting the $2bn earned in plywood exports. Although traditional slash-and-burn agriculture is largely to blame, the Bank argues that fiscal and other incentives actually encourage bad forest practices.

Kathy Folland

Fiscal incentives and old agricultural methods are diminishing Indonesian rain forests

Conservationists worry the reafforestation scheme will mean more rain forest is clear felled and planted with less valuable, fast-growing species. As one US expert put it "that would be like selling your Rolls-Royce to get five VWs."

Now it is the job of Environment Minister Dr Emil Salim to convince his cabinet colleagues that conservation, far from being a constraint on growth is the nearest thing to a guarantee of Indonesia's economic future.

His is an unenviable task. The country's timber industry is controlled by powerful Chinese and military business groups. Attack has been the favoured form of defence. Fellow producers Malaysia and a US public relations company have been enrolled to fight what is seen as not so much an environmental skirmish as a full scale trade war. Ignoring his critics, Mr Bob Hasan the acknowledged svengali of the private sector plywood industry announced a record $1bn sale to Japan, the world's largest tropical timber importer and a consistent target of attack from conservationists.

Dr Salim maintains the issues are inseparable. "Look, what is the crux of the environment – interdependence. Every one is linked with every one else. . .we're not asking for aid, we just want better trading conditions."

Punitive moves by the European Commission to impose a *tariff on tropical timbers he* believes hit the wrong target and only encourage more logging. Meanwhile the utterings of the Group of 7 industrial countries he dismisses as "finger-wagging".

Inevitably Indonesia's future economic growth looks set to depend not only on greater energy use – one of the causes of global warming – but manufacturing, an area where it has a competitive edge in part because of its lack of environmental controls.

For all its oil wealth, Indonesia is still a poor country with a per capita income of less than $500 a year. In the coming five years, more than 11m young Indonesians will have to find jobs. Currently more than 30 per cent of Indonesia's annual export earnings are absorbed in debt repayments, the direct consequence Mr Salim says of the Plaza Accord of 1985 where industrialised countries agreed a managed devaluation of the US dollar.

The debt for nature swap – like the one recently agreed in Madagascar where creditors commit to purchase developing country debt at a discounted value in the secondary markets – is not an option. In Indonesia's case, where most of its $34bn public debt is from official government sources not commercial banks, this would raise awkward sovereignty issues. Such a move would also damage the country's credit rating with the international finance community which is still relatively good.

Dr Salim actually contends that when oil prices collapsed in the early 1980s it was the rain forest which saved the country.

None the less the conservation message does appear to have made its mark. Already since 1985, Indonesia has imposed a ban on log exports, which has forced the concessionaires to invest in plywood factories – a sunk cost which Dr Salim hopes will encourage better long-term forest management.

The re-afforestation fee on cut timber is to be raised from $7 to $10 per cubic metre. If firms comply, which has not always been the case, this fund could finance the 300,000 hectares targeted for new plantations every year.

In a related move, legislation has been introduced binding both foreign and local investors to take account of the impact of their business operation on the surroundings. Soil conservation legislation is also considered.

For Dr Salim, a broader concern is how to raise the public's awareness of the environmental debate. In an office outside Jakarta he now has a small research team looking into the commercial applications of forest products for pharmaceuticals and cosmetics. "I'm an economist," he says. "The only way I can see, is to put an economic value on our environment. . . Did you know we have a leach which can cure leukaemia?"

According to a recent WWF report, the economic value Japan puts on its hardwood imports is little different from softwood imports from the US. Today a third of all Japanese plywood is used to make moulds into which concrete is poured on Tokyo building sites.

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US stands firm on bilateral trade retaliation

By Nancy Dunne in Washington

MRS Carla Hills, the US Trade Representative, yesterday launched a vigorous defence of US bilateral trade retaliation and implied that once the world trading system had developed multinational rules with strong enforcement mechanisms, demand for bilateral action would fade.

In a discussion of her recent efforts to push forward the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt), she said $1 trillion worth of trade was now unprotected by international rules.

"If the contracting parties do not have the political will or desire to provide disciplines, for example, in the area of protecting proprietary data and if we suffer $60bn in loss from theft of our proprietary data, is it so surprising that . . . we have to protect it?" she asked.

"The thieves say: 'That's unilateral. You should wait five years, 10 years . . . until we sit down and develop a rule.' Well, great. What then is the incentive to develop a rule? It's cheaper to steal."

Carla Hills

Mrs Hills said those who complain most about US bilateral actions are those who oppose stricter rules in agriculture and services trade, investment and intellectual property rights.

"If we get rules to cover a trillion dollars of trade, you would have a lot less fractious Congress," she said.

The trade representative said she is weighing a proposal to submit an analysis to the Uruguay Round, rather than a position paper, of textile proposals. It would be "helpful," if nations could see how various options under consideration applyed to them.

She said that she has made clear to her trading partners that the US must have "an ambitious package" of agreements in the Uruguay Round to bring to the private sector and Congress. "Tinkering at the margin" would not be sufficient, she said.

Mrs Hills said she was willing to allow the less-developed countries more time than the industrialised countries to implement agreements. But they must commit to new rules "on day one."

Hills hits at construction trade blocks by Tokyo

By Nancy Dunne in Washington

MRS Carla Hills, US Trade Representative, yesterday issued a determination that Japan had "unreasonable" trade barriers to construction services, but said enough progress had been made towards resolving the dispute to delay until next May any possible retaliation.

The Japanese Government has agreed to a US demand that bidders for construction contracts state they understand rules against "dango", or bid-rigging agreements, and that they have not violated those rules, she added. The US will continue to monitor Japanese enforcement of its fair trade laws.

The determination was issued in response to a provision in the US Omnibus Trade Act requiring an "unfair trade" investigation of the Japanese construction market and set Tuesday as a deadline. Mrs Hills said the provision overlaps with a two-year bilateral agreement, running through next May, under which Japan agreed to open bidding to US companies on 14 public works projects.

The idea, said Mrs Hills, was to give US companies an opportunity to fulfil a "traditional" Japanese requirement that bidders have experience in the Japanese market. "I would like greater improvement in administrative remedies," she said. "I want the rules to be transparent. But we did make progress on collusion, and they assured us they would continue to negotiate."

Japanese dig in over plan to reform farm policy

Robert Thomson reports on Gatt negotiations

WHEN a New Zealand delegate rose to speak last week during an "informal" meeting in Tokyo on the General Agreement on Tariffs and Trade, he declared that he had three points to make: "Agriculture, agriculture and agriculture."

Agriculture is an awkward issue in Japan. The country is a couple of months away from a general election and the reassuring words on protection that politically influential farmers want to hear are not well received by the US and other agricultural exporters.

The sensitivity of the issue was shown by the irritation of some members of the Cairns group of exporters after a speech by Mr Michihiko Kano, Japan's Minister for Agriculture, Forestry and Fisheries, who strongly defended Japan's policies, and then quickly left the Gatt gathering. The delegates were annoyed that Mr Kano, who had other obligations in parliament, did not stay to answer questions.

Earlier this year, there was a sense among Japanese officials that agriculture would not be the problem area for the Uruguay Round of negotiations that it subsequently became. The talks, due to conclude at the end of next year, are threatened by the deep divisions on the issue.

In April, a senior Agriculture Ministry official predicted that Japan would have no international obligation to open the rice market or reduce farm subsidies because other Gatt members were perceived to have accepted Tokyo's arguments on "food security."

However, a US proposal in late October to eliminate non-tariff barriers and phase out farm export subsidies has prompted Japan to prepare its own position paper on the subject, and drawn a strong reaction from the European Commission, which has characterised the proposal as a large step backwards in the agriculture debate.

Japanese editorials have recognised that the rice market is again under threat from imports. The Kita Nihon Shimbun said that "it is hardly conceivable that the (US) proposal would be approved without revision but there is no doubt that it has facilitated the opening of formal discussion on rice at the negotiating table".

The Chunichi-Tokyo Shimbun commented: "Many problems await the Gatt negotiations on agriculture because of the disparate positions of the US, EC members, Japan and other countries — Japan has a responsibility to the international community to take into consideration its trade friction with other countries as well as its status as an economic power."

Newspapers in rice-growing districts were less flexible. The Akita Shimbun described rice as a "strategic material . . . we are not saying this because Akita Prefecture is a rice-producing region, but because this particular agricultural product concerns the very fundamentals of the state."

It is clear that Japanese farmers' groups and government officials will be using environmental concerns as a reason not to liberalise markets, as well as employing the more traditional argument of food security.

Japanese trade officials were pleased by the willingness of delegates from developing countries at the Gatt meeting to discuss trade-related intellectual property and investment measures, new areas supported by Japan in the Uruguay Round. Japan has not lobbied as vigorously on services, another new area, because the government has been unable to reach a consensus on the issue.

While Japanese officials suggest that the US is showing more flexibility on a formula for tariff cuts, there is concern at what are seen as extreme and uncompromising positions taken over issues such as agriculture and shipbuilding.

A trade official said that increasing unwillingness of the US to compromise on difficult issues is "unfortunate" and threatens to complicate the negotiation process.

TI conquers the long road to patent approval

By Ian Rodger in Tokyo and Louise Kehoe

PATENT offices are not known for their humour, but one would have thought a little self-deprecating wit was called for on this occasion.

Texas Instruments first applied in 1960 for Japanese recognition of the so-called Kilby patents, which cover the technology needed to install both active and passive components on a piece of silicon.

The office, mindful of the impact of such a decision on Japan's then-nascent semiconductor industry, declined. It finally issued the patents at the end of last month.

Was there an announcement to celebrate the event? Not at all; the decision was communicated privately to Texas Instruments and the objectors; and when the facts became public, was the patent office just a bit sheepish about the exposure of its protectionist proclivities? Not a chance.

"It took us 28 years to verify that the application met our requirements," one official said yesterday straightfaced.

The impact of the decision on TI's bottom line is as yet uncertain; the big Japanese chip makers emphasised yesterday that they already had technology cross licensing agreements with TI which took into account the Kilby patents, and these will not be affected until they are renegotiated, which will be 1990 at the earliest.

But TI will not be the only US semiconductor company checking its files today.

Credit for the invention of the integrated circuit chip is shared by Jack Kilby of Texas Instruments and Robert Noyce, one of the founders of Fairchild Semiconductor, Silicon Valley's first semiconductor manufacturer and now the president of Sematech, the US semiconductor industry consortium.

Fairchild has since been acquired by National Semiconductor, another California chip maker.

National said yesterday that it was trying to determine whether Fairchild had, in fact, applied for basic patent rights to the integrated circuit invention in Japan, back in the 1960s.

Although the company has so far not been able to find any record of such a patent application, it noted that NEC of Japan had paid royalties to Fairchild in the early days of the industry and that it seems these royalty payments may have been made on the basis of a patent granted in Japan.

Intel Corporation, also co-founded by D. Noyce, said that it holds several patents in Japan and that it has several patent applications pending. The company noted, however, that the original patents covering the invention of the integrated circuit went to Dr. Noyce and his co-workers at Fairchild.

Historically, Japan has been notoriously slow in granting patents to the US semiconductor industry. The granting of the Texas Instruments patent is widely seen, therefore, as a landmark event.

Poland enthusiastic over Kvaerner shipyard deal

By Karen Fossli in Oslo

MR Krzysztof Skubiszewski, the Polish Foreign Minister, has responded enthusiastically to an application by Norway's Kvaerner Industrier to form a 50/50 joint venture with the Gdynia shipyard and pledged during a recent visit to Oslo to help push it through for approval by Polish authorities.

This March, Kvaerner said it was seeking to acquire the Polish yard which built, in the 1970s, five of its specialised LPG carriers. Then Kvaerner was awaiting Poland's liberalisation of foreign ownership regulations which have since been changed to include a call for a decision on foreign ownership by 90-days after an concession application is lodged.

To this end Kvaerner says it could acquire half ownership in Gdynia, one of the world's largest shipyards, by the end of this year. However, an early approval of the Kvaerner application will clear the way for several other foreign acquisitions of Polish yards which are currently being sought.

In a separate deal, plans by Mrs Barbara Piasecka Johnson, a North American millionaire of Polish origin, have been stranded not on a holdup by Polish authorities, but on valuation of fixed assets currently being undertaken by Arthur Andersen of London. Once Polish authorities approve the Kvaerner-Gdynia deal, negotiations will move on to valuation of the Gdynia yard.

Last year Kvaerner increased profits before extra ordinary items to NKr381m ($55.3m). Group turnover rose to NKr8.47bn.

Norsk Data in Soviet deal

By Karen Fossli in Oslo

NORSK DATA, the troubled Norwegian mini-computers group, has won a NKr33m ($4.8m) contract to supply a computer-aided design and manufacture (CAD-CAM) system comprising 30 workstations to a Soviet shipyard in Leningrad.

The contract was won over several US suppliers including Hewlett Packard.

After processing of export papers by Cocom in Paris, Norsk Data expects to deliver the system in January.

An executive with Norsk Data said that the Soviet Union has become the company's fastest growing market.

Norsk Data's CAD-CAM systems are manufactured in West Germany and, with the opening of the Berlin wall, the company is looking to the East German market.

In the Soviet Union, Norsk Data participates in a joint venture with the Soviet Institute of Technical Sciences. After two years of losses, the company plans a radical restructuring in which 600 jobs are to be shed.

Insurer suggests ECGD link

By Peter Montagnon, World Trade Editor

TRADE Indemnity, Britain's leading private sector credit insurance concern, has expressed interest in collaboration with the Export Credits Guarantee Department once it is restructured under proposals due to be unveiled by the Government before the year-end.

The European credit insurance market was likely to become increasingly competitive as the 1992 single market took shape, Mr Richard Duggan, Trade Indemnity managing director, told a symposium in Brussels.

"With such major competition emanating from elsewhere in Europe, the two UK majors should put an act together sooner rather than later," he said.

Trade Indemnity's interest in acquiring the short term credit insurance business of ECGD once it is put up for sale by the government has been an open secret in the industry, but the company has been cautious about spelling out its ambitions in public.

Mr Duggan denied that an alliance between the two concerns would give them a dominant market position.

The number of companies offering credit insurance in Europe would fall to less than 10 eventually from about two dozen now in the competitive climate created by the single market. "The odds on the UK maintaining two separate specialist functions in that climate therefore are probably very long indeed."

ECGD said it could not comment on Mr Duggan's remarks as the government has made no formal announcement yet concerning its plans for the department, which was not therefore up for sale.

The proposals now under consideration, however, would allow for ECGD's profitable short term credit insurance business to be spun off into a separate company that might attract private capital.

E Germany orders Sanyo VCRs

Sanyo Electric, one of the leading Japanese consumer electronic groups, has won a Y5bn ($35m) contract to supply 100,000 video cassette recorders to East Germany, Ian Rodger reports from Tokyo.

The contract, which is to be filled by next March, apparently reflects the eagerness of the new East German government to respond to public dissatisfaction with the lack of consumer products in the shops. Sanyo officials said that VCRs are among the most sought after products by East German consumers.

Norsk Data wins £4.8m Soviet order

Norsk Data, the troubled Norwegian mini-computers group, has won a NKr33m (£4.8m) contract to supply a computer-aided design and manufacture (Cad-Cam) system comprising 30 workstations to a Soviet shipyard in Leningrad.

Bush shows his competitive streak ahead of summit

By Lionel Barber in Washington

WITH just over a week to go before his meeting with President Mikhail Gorbachev, President George Bush looks and sounds like a man eager to prove to the world (and to himself?) that he is up to the challenge of dealing with the Soviet leader.

There is a competitive streak in the President which applies as much to superpower diplomacy as to catching fish, and it surfaced during an interview with the Financial Times and other foreign newspapers this week.

Twice, he grew animated. First, he revealed a cold fury at Congressional accusations that he is too "timid" in reacting to change in the Soviet bloc; second, when he was asked by a Maltese journalist which leader thought first of the superpower encounter in the Mediterranean.

"Right here," said the President, pointing to himself.

Throughout, Mr Bush, who meets with Mrs Thatcher, the British prime minister later today, wished to demonstrate he is alert to the "self-evident" changes in the world, and that he is ready to respond to them. But he made clear that the US role in promoting or shaping the reform process in Eastern Europe should be limited.

Asked whether the US would support Hungarian neutrality, Mr Bush replied that US should state the principles of freedom and democracy. "I think it would be a mistake for the US to try to dictate to a country what course it ought to follow in relationship to the Warsaw Pact, the Soviet Union or anybody else."

Mr Bush would clearly like to see a similar hands-off approach adopted by Mr Gorbachev, but he remains uncertain about the limits of Soviet tolerance; hence his eagerness to sit down for a private conversation with the Soviet leader next week.

Thatcher faces restrained welcome in US

Peter Riddell reports on a special relationship which has begun to lose its shine

WHEN Mrs Margaret Thatcher last visited Washington just over a year ago to say farewell to former President Ronald Reagan, she was greeted with full pomp and ceremony and extravagant exchanges of compliments.

When she arrives this evening, the mood will be more restrained. President George Bush will be polite and attentive – that is his style and character. But even if Mr Bush does not say so himself, the view of Washington policy makers towards Mrs Thatcher and Britain has changed substantially during the past 12 months.

It is partly a matter of personalities. Mr Bush is never going to share with Mrs Thatcher the same camaraderie Mr Reagan had with her as fellow crusaders of the 1980s – which gave her special access to the Oval Office. The Reagan-Thatcher relationship was perhaps too close in the view of one senior US official involved; the US looked to Britain too much to handle transatlantic problems.

President Bush signalled during his first European visit six months ago that the balance would be corrected – that there was to be no one special relationship. US-British ties would remain strong, but there would be other partners. Mrs Thatcher would have to stand alongside Chancellor Helmut Kohl and President François Mitterrand.

But, more significantly, the shift is also of policy. The Bush Administration has developed a more positive view of European integration than its predecessors – not only of the 1992 single market process but also of the political desirability of a strong European Community at a time of such rapid change in Eastern Europe, underlined by the re-emergence of the German question. This has further shifted the US focus towards Bonn.

Mrs Thatcher and Britain have appeared to be reluctant, and increasingly isolated, participants in these changes. Hence US views are now a little out of step with Mrs Thatcher's, if not Foreign Secretary Douglas Hurd's. The State Department would undoubtedly like Britain to play a more positive part in European integration, whatever form that takes. In their eyes Britain's international role is through the EC, not through a special relationship.

The differences should not, of course, be exaggerated. On

Ashley Ashwood

Bush and Thatcher at their last Downing St meeting

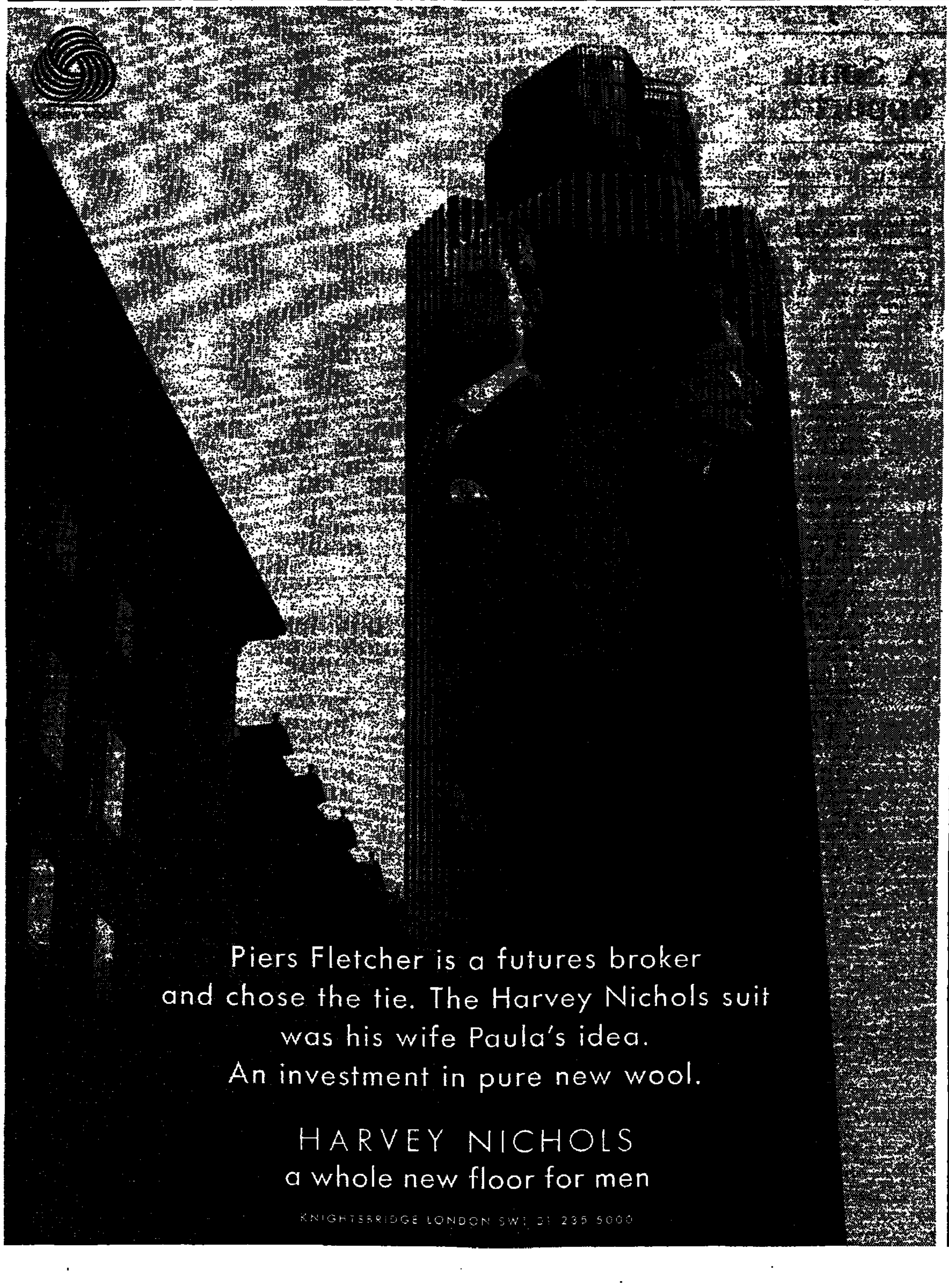
many detailed EC issues, such as banking reciprocity, the social charter or economic and monetary union, the US sympathises with British views and doubts. Indeed, as one official remarked, it may suit the US to have an ally to the right like Mrs Thatcher – as she was, for example, over the short-range missile argument.

The US worry is more over the general approach and language she adopts. As Mrs Rozanne Ridgway, the former European assistant-secretary, points out: "For all the reluctance, a basic decision has to be made about where is Britain's future? British industry or banking will tell you it's on the Continent. Whether that's a happy or an uncomfortable prospect is irrelevant."

Nevertheless, Mrs Thatcher still enjoys a high personal reputation in the US. The shocks which have so shaken British political life in the past few weeks and months have barely registered in Washington. This is in part because US reports on the UK generally fail to appreciate the distinction between a presidential and a Cabinet system, and also because the attention of American reporters and public has inevitably been on events further east in Europe.

Whatever the reason, hardly anyone, even in Washington, has begun to talk about the possibility of a post-Thatcher Britain.

Some British advisers privately think that the US's warmer links with West Germany, and even France, will come under strain and it will look again to the UK as its most reliable ally. But there are dangers of self-delusion. The US now believes its interests are served by Britain playing a full part in Europe.



Nicaragua set to convene regional talks on Contras

By Tim Coone in Managua

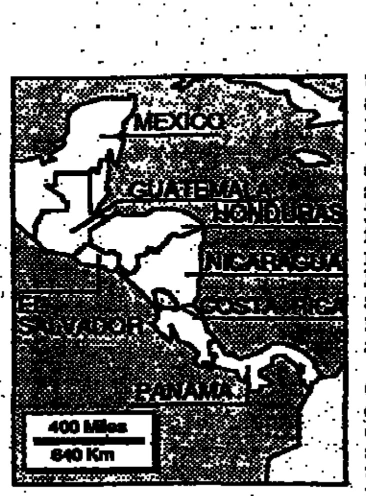
NICARAGUA is to convene an urgent meeting of the five Central American presidents following the collapse of bilateral talks with the US-backed Contras in Washington. Military options to disarm and demobilise the Contras are now likely to be considered after rejection by the Contras of Nicaraguan Government proposals for a negotiated demobilisation.

Under the Tela summit accord of last August, the five presidents agreed that the 12,000-strong Contras, based on Honduran territory, be demobilised by December 5 this year. In return the Nicaraguan Government promised a series of internal political reforms and agreed to suspend legal action against the Honduran Government at the International Court of Justice (ICJ) at the Hague.

At the beginning of the month the Nicaraguan Government announced the lifting of a 19-month ceasefire following renewed insurgencies by the Contras and a sharp increase in attacks.

Nicaragua is now in the middle of an election campaign. General elections are to be held on February 25 next year.

Bilateral talks between the Government and the Contras were renewed two weeks ago



but the Government said that it is only prepared to negotiate the means of the Contras' demobilisation. The Contra leadership, however, has insisted on maintaining its forces intact until after the elections. Government proposals included an extension of the demobilisation deadline to December 31 and for the ceasefire to be reinstated on condition the Contras withdraw some 2,300 troops from Nicaragua which have infiltrated in during recent weeks. The proposals were rejected.

The Central American peace accords face a serious setback as a result of the collapse of the Washington talks. There is an obligation on Honduras to remove the Contras from its territory by the December 5 deadline. Presidential elections are to be held there this coming weekend. Should Honduras fail to comply with the agreement, Nicaragua will renew its litigation at the ICJ and might again resort to cross-border raids against the Contra camps as it has done in the past.

Honduras already has a crucial decision pending at the ICJ over a decades-old boundary dispute with El Salvador. The six pockets or *bolsones* along their joint frontiers still in dispute have been used by the FMLN guerrillas in El Salvador to establish some of their mountain strongholds.

● Major-General Agustin Quesada Gomez, a Spanish officer, will lead the United Nations Observer Group for Central America (ONUCA), the 625-member border patrol force being sent to halt arms shipments to El Salvador's left-wing rebels and to stop Contra raids into Nicaragua, AP reports from the UN.

The force will have military observers from the armed forces of Canada, Colombia, Ireland, Spain and Venezuela, and logistics units from Canada and Venezuela.

El Salvador hotel siege ends

PRESIDENT George Bush said yesterday that he had sent a special US military counter-terrorist force to El Salvador to help end the hotel siege in which US soldiers were trapped, Reuter reports from San Salvador.

The stand-off ended yesterday when the 12 US Green Berets were taken by Salvadorean troops from the Sheraton hotel, which had been deserted by the rebels who stormed it more than 24 hours earlier.

The rebels seized part of the hotel on Tuesday during an attack on the wealthy Escalon neighbourhood north of the city, the latest action in an offensive against government troops that began on November 11.

Mr Bush said he despatched a special operations team to San Salvador on Tuesday to help the Salvadorean military end the siege at the hotel.

The 12 Green Berets had been among the guests at the hotel and were trapped on the 6th floor.

"We have specially trained forces. They are trained to do this kind of mission. They were put on alert. They were sent and they performed their mission and thank God they didn't have to fire a shot," he told reporters aboard his aircraft on the way to Memphis, Tennessee.

He said that Mr Alfredo Cristiani, El Salvador's President, was consulted on the move but did not specifically request the help of the US military. The US has provided about $3.5bn to oppose the insurgency and 55 US military advisers are assigned to the country.

US durable goods orders fall

By Anthony Harris in Washington

US orders for durable goods fell by 0.6 per cent in October, according to the first estimate from the Department of Commerce, and civilian orders rose by 0.5 per cent.

This fall is considerably smaller than the markets had expected; but the figures for September, originally reported as a 0.2 per cent increase, have been revised to show a 1.1 per cent fall. Over the last two months orders have fallen by 1.7 per cent, against market expectations of 2.4 per cent.

Huge month-to-month fluctuations in defence orders have distorted the trend. These rose by 33.9 per cent in September and then fell 12.4 per cent last month. Civilian durable goods orders fell by 3.5 per cent in September, and recovered by 0.5 per cent last month.

Timing of aircraft orders appears to have been a major factor. Orders for transport equipment rose 3 per cent, after falling nearly 11 per cent the previous month, and are at much the same level as July.

Excluding the transport sector, durable goods orders in October fell 1.8 per cent, after rising 2.8 per cent in September. Excluding both these volatile sectors, which account for about a third of total durable goods orders, the total fell 0.5 per cent in October, after no change in September.

There was an unexpected recovery in orders for civilian capital equipment, seen as an indicator of future industrial expansion. These rose by 3.2 per cent in the month.

Nissan plans to invest over $1bn in Mexico

By Richard Johns in Mexico City

NISSAN plans to invest more than $1bn in Mexico, to double its motor manufacturing capacity from 120,000 to 240,000, according to the Ministry of Commerce and Industry (Secofi).

The company has made it clear that any future expansion will depend on a further three years' extension of the blanket ban on imports of motor vehicles. It is believed that Secofi, which is drawing up new regulations to govern the auto industry, which come into force at the beginning of next year, has decided to lift curbs from 1992 onwards, but to impose a 10 per cent tariff on imports rather than the 20 per cent the industry has been pressing for.

Such an extension and tariffs could be enough to satisfy Nissan. Secofi's announcement followed a visit to Japan by Mr Jaime Serra Puche, Minister of Commerce and Industry, who had discussions there with more than 35 companies on possible investment projects.

Secofi spoke of "the certainty of doubling Japanese investment in Mexico in the near future."

Until the end of 1988, approvals for Japanese projects by the Government amounted to $1.2bn. But Nissan, with an investment of over $600m, reckons to account for two-thirds of the amount actually made.

Brazil trade surplus falls to low point for year

By Ivo Dawnay in Rio de Janeiro

BRAZIL's trade surplus for October dropped to $1.03bn, the lowest monthly figure this year, as the Government's cut in import curbs for purchases overseas rose to $1.72bn, or $548m up on the same month last year.

Officials believe the total year-end surplus will not substantially exceed the $16bn originally forecast. Earlier this year, informal projections for the surplus were revised upwards to $19bn. The accumulated figure for January-October stands at $14.23bn, or 11.7 per cent down on the same period in 1988.

The latest trade figures show a sharp $502m increase in imports of capital goods as industry continues to replace old equipment. Forecasts now suggest the increase in imported raw materials - largely minerals - and capital goods will add around $2bn to the total import bill by the end of the year.

Brazil has been systematically reducing its "prohibited list" of imports throughout 1989 as part of its policy to liberalise trade.

● Port workers across Brazil went on indefinite strike yesterday, demanding pay parity with dockers at the country's largest port of Santos in Sao Paulo state. The union is seeking rises of 25-37 per cent.

Curbs on LBO benefits

By Peter Riddell, US Editor, in Washington

THE tax benefits of corporate leveraged buy-outs have been restricted as a result of changes included in the budget bill which was finally approved by Congress early yesterday.

Corporations will not be able to carry back losses, that is claim refunds of past tax payments, as a result of interest payments on borrowing to finance the takeover of another company. This applies to transactions after last August 2 and is expected to raise $226m.

Separately, the bill seeks to curb "junk" bonds, by curtailing the tax benefits for zero-coupon bonds that postpone cash interest payments. Depending on the yield of the bond, interest deductions will be either deferred until interest is paid or the payments will be treated as distributions of equity.

This applies after July 10 and should raise $31m.

Party chief backs Thatcher in leadership challenge

MR KENNETH Baker, the Conservative Party chairman, warned yesterday that a leadership challenge to Prime Minister Mrs Margaret Thatcher would be an "irrelevant distraction", write Philip Stephens and Michael Cassell.

Meanwhile dissident Tory MPs fuelled speculation that within the next week they will force the first such contest in the Conservative Party since 1975.

In an interview with the Financial Times, Mr Baker gave a clear signal that the Government now expects to run almost its full parliamentary term to mid-1992 before calling a general election.

He said the Government would need time to bring down inflation and to restore the economy's growth rate. On the election date he said: "I think we have to think in terms of 1992". The party would be ready, however, to go to the country at an earlier date.

His remarks on the leadership were echoed by Viscount Whitelaw, the deputy leader of the party. He told Westminster journalists that he hoped backbench MPs would close ranks behind Mrs Thatcher and end their "gossip, rumour and internal intrigues".

Mr Baker refused to speculate on whether a challenge now looked unavoidable but insisted that: "I think a leadership contest is unnecessary. It is an unnecessary distraction and it is irrelevant". He said he had been in contact with party activists: "The message is very very clear....There is overwhelming support for Margaret Thatcher". Mr Baker said that he was convinced Mrs Thatcher would lead them into the next election.

Other senior ministers, however, said party managers at Westminster - the whips - were now planning on the basis that there would probably be a challenge.

Sir Anthony Meyer, the MP for Clwyd North West and a long-time critic of the Prime Minister, repeated yesterday that he would probably put himself forward if no other candidate emerged.

The bars and tea rooms at the House of Commons were awash with rumours of plots by others on the left of the party. Their aim would be to attract enough support and enough abstentions to significantly undermine Mrs Thatcher's position. That might pave the way for a more serious challenge next year.

The party's 1922 Committee is expected to announce later today that nominations for candidates - a mere formality in each of the last 14 years - will open immediately. They would close a week later with the results of an election due on December 5.

The Committee, which represents all backbench MPs and and has a powerful influence on Government policy, meanwhile faces its own internal division.

Sir Marcus Fox MP is expected to be nominated to stand for the chairmanship. The post has been held, unchallenged, for the last five years by Mr Cranley Onslow, the MP for Woking, who will stand for re-election. Tory MPs do not believe that Sir Marcus has any chance of mounting a successful challenge but he is expected to win a respectable level of support in the ballot, which will be held next Thursday.

Ambulance dispute widens as crews ban non-emergency runs

By Fiona Thompson, Labour Staff

THE 10-week-long ambulance pay dispute widened yesterday when crews across the country imposed a ban on all non-emergency work.

Tens of thousands of out-patient and routine journeys were abandoned, resulting in elderly and mentally ill people not attending day centres and widespread cancellations of hospital appointments.

The only exceptions were children under 14; expectant mothers; patients for cancer, renal dialysis and radiotherapy and terminally ill patients leaving hospital.

Some crews have had their pay docked for refusing to handle non-urgent calls and ambulance officers were calling in taxis and minibuses, but the gap for most services was too large to bridge.

In London, management of the London Ambulance Service and the unions exchanged bitter accusations throughout the day. LAS accused crews of refusing to attend emergency calls in six instances in spite of their pledge that all emergency calls would be answered.

Mr Tom Crosby, London's chief ambulance officer, said the incidents demonstrated clearly that a safe and reliable emergency services could not be run in London under the current restrictions being operated by ambulance staff.

Nupe, the public service union representing the bulk of ambulance workers, strongly denied each allegation. Mr Roger Poole, the chief trade union negotiator, said LAS management "must be in a desperate state of confusion and chaos."

In the control room at LAS, control assistants were refusing to put emergency calls through to the police, but senior controllers were passing them through using facsimile machines.

Management has been putting the bulk of emergency calls through to police and troops for two weeks, since crews at the capital's 71 stations were suspended for refusing to use radios as management wished.

Mr Kenneth Clarke, Health Secretary, yesterday accused the unions of talking "fiction" when they promised to protect emergency services. "They're taking life-threatening action in order to get us to settle a highly-excessive pay claim," he said.

The five unions representing the country's 22,500 ambulance workers have rejected a 6.5 per cent 12 month pay offer and a 9 per cent 18 month one. The offer for London staff is worth 11.8 per cent over 18 months.

Squeezing the last drop out of floating water

Andrew Hill on the price set for privatisation

After all the public relations hype, the months of water commercials and the endless dribble of small announcements on the privatisation of the water industry, yesterday's final press conference came as something of an anti-climax.

The unveiling of the price digital figures illuminated against a water-filled screen probably looked exciting to the television cameras for which it was intended, but it left the politicians and merchant bankers on the platform smirking with embarrassment.

Following semi-official leaks to the weekend press most people already expected a common share price of 240p for each of the 10 companies and an average dividend yield of about 8.5 per cent. So it proved. On the basis of the 8.55 per cent yield, the whole industry is worth £5.24bn.

If there are no significant market corrections between now and the first day of dealing on December 12, the underwriters and sub-underwriters will escape with their fees - likely to top £44m in total - and individual company shares could rise to a premium above the issue price on Day One. That would bring the dividend yield down to just under 8 per cent, against, say, a 6.9 per cent prospective yield on British Gas shares.

Analysts yesterday were intrigued by the way in which the Government had tried to make the 10 companies look equally alluring to investors.

Welsh Water, for example, received the second highest yield of 9.31 per cent - more generous than expected. That probably takes account of reduced takeover prospects at the company. Unlike its counterparts, which will emerge from the shelter of a 15 per cent limit on share stakes after five years, Welsh requires 75 per cent shareholder approval to end the protective limit.

As expected, South West has received the highest yield - 9.68 per cent - which will do something to offset the bad publicity caused by pollution accidents in its region over the last 18 months.

Mr Robert Giles of independent brokers Laing & Cruickshank said yesterday: "I think the Government has got South West's yield right: it isn't a bargain, but it will probably make sure the company is sold."

Mr Wilf Wilde, an analyst at Citicorp Scrimgeour Vickers, said he thought examination of the terms of the flotation might overturn some predictions about the companies likely to be the investment stars.

"I think there has been an underlying assumption that Thames is the most attractive," he said yesterday. "But I don't think it necessarily follows that it is the best company to invest in."

Thames, which has ambitious plans to diversify into non-core businesses, has the lowest yield at 8.1 per cent.

The full prospectus reveals that a group of 18 banks and securities houses will receive average commission of 0.1731 per cent for acting as primary underwriters on 78.5 per cent of the issue. That reflects the current uncertainty of the market and the increase in underwriting risks since BP's ill-fated issue in 1987, when commission reached a low of 0.018 per cent.

Sub-underwriters - mainly institutions which already want to buy water shares - will receive half the underwritten shares for sure. A proportion of the other half can be clawed back if the issue is a success with private investors. For shouldering the greatest risk, sub-underwriters will take a fee of £35.7m from the Government.

Overseas institutions, which have pledged to take up to 18.5 per cent of the whole issue will get about £12m in fees. More than half of the overseas allocation of shares will be made available to Japanese investors; a quarter could go to continental Europe and the balance to Canada (11.9 per cent) and the US (9.3 per cent).

The Financial Times will publish a special three-page analysis of the water privatisation in Weekend FT this Saturday.

Monopoly probe into Bupa deal

AN ACQUISITION which has made British United Provident Association the largest private hospital operator in Britain was yesterday referred to the Monopolies and Mergers Commission, writes Alan Pike.

Mr Nicholas Ridley, Trade and Industry Secretary, said he was asking the commission to investigate and report on a £92m agreed bid by Bupa for Hospital Corporation of America's 10 hospitals and seven nursing homes in the UK. The decision to refer the acquisition was made on a recommendation from the Director-General of Fair Trading.

"The Secretary of State considers that there are possible effects on competition in the UK market for the provision of private acute hospital care and health care and insurance which deserve investigation by the commission," said the DTI.

Bupa is by far Britain's largest private health insurer as well as a hospital operator, with about 60 per cent of the insurance market.

The acquisition of HCA gives Bupa ownership or control of 30 hospitals with 1,563 hospital beds.

This puts it ahead of the other two big hospital operators – AMI Healthcare and the charitable Nuffield Hospitals.

Even after the HCA deal Bupa is in a minority position in the independent hospital sector – there are 209 private hospitals with more than 10,000 beds – and the HCA bid alone would not have prompted a reference to the monopolies commission.

S.G. Warburg challenges proposed rule on goodwill

By David Waller

S.G. WARBURG, the London investment bank, has written to the Accounting Standards Committee complaining that its proposed new rules on goodwill accounting will make UK companies more vulnerable to takeovers.

Warburg also says the rules will remove a competitive advantage when companies make acquisitions overseas.

This is the first time such an influential institution has entered the debate on how acquisitive companies should account for goodwill – the difference between the net assets of the company they buy and the price they pay for it.

Finance directors of many listed companies are worried that the ASC's expected ruling on the subject will sharply reduce reported profits. The ASC wants companies to capitalise goodwill on their balance sheets and write it off via the profit and loss account over a number of years.

The Warburg letter points out that the stock market may choose to value the company on the basis of the lower profits figure.

Given that the underlying profits performance of the company would not have changed at all, that could make it vulnerable to takeover. It also says that existing accounting rules favour UK companies when making acquisitions overseas.

Wages growth expected at 8.5%

By Peter Norman, Economics Correspondent

THE Government expects only a modest slowdown in the rate of wage increases next year, according to the final version of its autumn statement on the economy published yesterday.

Figures supplied by the Government Actuary showed that average earnings are expected to increase by 8.5 per cent in the 1990-91 financial year compared with an increase of around 9.25 per cent projected for 1989-90.

The autumn statement, the annual outline of the Government's spending plans to Parliament, stipulates that the actuary's assumptions are not forecasts nor predictions. However, in a procedure designed to give the assumptions an "arm's length" quality, it is understood that they are supplied to the actuary's office by the Treasury only for the actuary to pass them back to the Treasury for inclusion in the statement.

In recent weeks, the Prime Minister, the Treasury, the Bank of England and the Department of Employment have all warned that unemployment will rise next year as growth slows unless wages increase at a much slower rate than in the past.

Yesterday's final version of the Autumn Statement makes clear that the Government believes a rise in unemployment will be unavoidable as the economy slows next year. It contains further assumptions from the Government Actuary that the average number of unemployed in Great Britain will increase to 1.75m in 1990-91 from 1.67m in the current financial year.

This outlook contrasts with news yesterday of a continuing fall in the number of longer term unemployed in the UK.

The Department of Employment said the number of people claiming unemployment benefit for more than one year fell by 61,000 to 613,000 in the quarter to October. The October total was 272,000 lower than in October 1988.

Harmony on EC merger code threatened by Bonn

By Jane Fuller

EFFORTS to agree a European Community policy on company mergers could run into difficulty today because of West *German* reluctance to relinquish national powers.

The curtailment of national jurisdiction over large cross-frontier bids is the issue most likely to upset a meeting of the EC's internal market council in Brussels.

Mr John Redwood, the British Corporate Affairs Minister, said if agreement was not reached on all the outstanding issues by the end of December, the move would "die with the French presidency." He expected *progress to be made* at today's meeting, but for it to take one more session to finalise the policy.

Most worrying was a hardening of the West German attitude towards national jurisdiction. "The Germans would not be concerned if the EC blocked a merger, but if it allowed it, they would want a go as well," he said.

The Federal Cartel Office has been anxious to reaffirm its stature after the blow to credibility caused by the Bonn Economics Ministry's decision to allow through - against its advice - the aerospace and defence merger between Daimler-Benz and MBB.

Mr Wolfgang Kartte, the Cartel Office president, is eager to ensure that the proposed EC merger legislation does not tone down his office's powers to veto large company mergers in West Germany.

But Mr Redwood said the West German stance could amount to an abnegation of the "single stop" idea, central to UK cause, whereby companies would in general only need to worry about referral to one body: either their national one or the Commission.

Mr Redwood said the negotiations would focus on the definition of national and local markets. It has already been agreed that a merger can also be examined by a national body *if a competition problem* is created in a particular local market - the hinterland of a large town, for example.

Another possibly contentious issue is the arrangement to review the new system after four years. This would raise a question dear to the hearts of small countries: the threshold above which bids are automatically referred to the Commission.

A figure of Ecu5bn (£3.6bn) had been agreed, but smaller countries want this to fall to Ecu2bn after four years.

On the question of bids by companies from non-EC countries, the French were becoming isolated, said Mr Redwood. They had suggested that the Commission should block a takeover if it did not like the arrangements in the predator's country, on the grounds of "reciprocity."

The counter view was that this gave out the wrong signals, smacking of "Fortress Europe", to countries like the US and Japan at a delicate time for world trade. The UK was keen that no new barriers were created to the inflow of foreign capital, he said.

One area which seems settled is the criterion for a referral. With very few exceptions, it would be on competition grounds only. This would kill off the idea of nurturing "Euro-champions" to take on Japan and the US.

Funds trade body launched

By Barry Riley

TWELVE top investment management companies looking after funds of some £150bn have become founder members of a new trade association which will represent the interests of UK-based institutional fund managers.

The Institutional Fund Managers' Association (IFMA) was launched yesterday and hopes to recruit more than 50 other management firms, including subsidiaries of foreign groups.

IFMA's chairman is Mr Charles Nunneley, chairman of Robert Fleming Asset Management, and it has appointed as director general Mr Richard Weir, recently director general of the Retail Consortium, and formerly chief executive of the Building Societies Association between 1981 and 1986.

Mr Nunneley said that the founding of IFMA reflected increasing concern within the investment management community that there was not a single voice able to reflect the industry's views collectively. During the implementation of the new regulatory structure set up under the Financial Service Act fund managers, he claimed, had felt "seriously deprived".

Other bodies such as the Association of British Insurers, the National Association of Pension Funds and the Institutional Shareholders Committee, *a group reconstituted* earlier this year with the backing of the Bank of England, represent the interests of institutional shareholders.

Mr Nunneley stressed that IFMA will represent professional fund managers rather than shareholders. However, the association would work closely with the shareholder bodies. He said that there was support for the new association from the Bank of England and the British Merchant Bankers' Association, while Mr David Walker, chairman of the Securities and Investments Board, the top investment regulatory body, had offered his "warm approval and support."

Mr Nunneley said misconceptions about the investment community were prevalent outside the City of London. It was important to improve communications between industry and the investment community.

The founders of the new association are Barclays de Zoete Wedd, Baillie Gifford, Baring International, Robert Fleming, Henderson Administration, Imperial Chemical Investment Management, M & G, Mercury Asset Management, Morgan Grenfell, Phillips & Drew, Prudential Portfolio Managers and Scottish Amicable.

In Brief

Unit trust purchases unhurt by market fall

Unit Trust investors brazened out the stock market fall last month without panic, figures from the Unit Trust Association show, writes Eric Short.

Investors bought £956.8m worth of units in October, the third highest monthly sales this year, but investors also cashed £877.5m worth of units in October, the highest monthly figure since the October 1987 crash.

The result was a net investment into unit trusts of £79.3m, the lowest figure since last December.

Most of the activity in unit trusts is reported to come from other institutions, mainly life companies and pension funds, or individuals investing through professional advisers. There is no widespread investment by *individuals.*

The value of unit trust funds under management fell by £2.6bn in October to £53.4bn, down 4.6 per cent against a 7.6 per cent fall in the value of the FT-Actuaries All Share Index over the month.

UK pay less

British senior managers earn less on average than their European counterparts but are more likely to receive share *options, cash bonuses and* a company car, says a survey by consultants Monks Partnership. The 12-country survey showed Switzerland had the highest paid managers.

Of the UK managers surveyed, 53 per cent had share options against 44 per cent in France and 34 per cent in Germany and the Netherlands.

Kinnock in France

Mr Neil Kinnock, the opposition Labour Party leader, will today hold talks in Paris with President Mitterrand, followed by discussions tomorrow with M Michel Rocard, the French Prime Minister.

Tax jobs to move

A further 1,200 Inland Revenue jobs are to be moved out of London to offices in the North of England, Scotland and Wales by mid-1992.

Orders slump suggests building slowdown

By Andrew Taylor, Construction Correspondent

FEARS that the British construction output is poised *to decline after eight consecu*tive years of growth are likely to have been fuelled by figures yesterday showing a fall in orders received by contractors.

Figures published by the environment department reveal that orders in July, August and September fell by 9 per cent compared with the previous three months and by 3 per cent against the corresponding months last year.

Private investment in office and retail developments, as well as for private housebuilding, fell during July, August and September due mainly to high interest rates. Bank base interest rates since May last year have doubled from 7.5 per cent to 15 per cent.

*House*builders have been worst affected, particularly in southern England where house prices and mortgages are higher than in other regions.

Orders for private housing in July, August and September were 18 per cent lower than during the previous three months and 26 per cent lower than during the corresponding quarter last year, according to the environment department.

The housing market has worsened since September after further rises in bank base and mortgage interest rates. The share price of Tarmac, Britain's biggest housebuilder, fell by 10 per cent on Tuesday after the group warned that profits would fall this year following a big rise in cancellations and reservations by prospective house purchasers in October.

High interest rates are also weakening investment in commercial property. Private commercial orders fell by 16 per cent in July, August and September over the previous three months and by 3 per cent compared with the corresponding quarter last year.

Associated Building Industries, one of the country's largest organisations monitoring construction contract awards and development opportunities warned earlier this month that several of developers were postponing starting work on new schemes because of uncertainty over the economy.

There has been no slow down in awards of industrial contracts according to the environment department which said industrial orders rose by 11 per cent during the three months to the end of September compared with the previous three months and by 16 per cent compared with the corresponding quarter last year.

Public sector orders, other than for housing, rose by more than a third compared with July, August and September last year, said the department. Public sector construction in areas like road and hospital building are due to receive a boost next year after last week's Autumn Statement of the Government's spending plans.

Private commercial development, however is expected to decline in the second half of next year while private housebuilding is likely to remain very depressed.

Third case fails on share dealing

Raymond Hughes reviews the Government's progress in the courts

THE Government's drive to clean up share dealing practices has suffered another setback with the failure of its third prosecution, brought by the Department of Trade and Industry, in the past two months.

Yesterday a jury at Southampton Crown Court was directed to acquit Mr Piers Fitzwilliams, a former director of City & Westminster Financial, a corporate finance company, who had denied four alleged breaches of the 1985 Company Securities (Insider Dealing) Act.

This follows last month's acquittal of three former employees of City accountants Touche Ross, Mr David Holyoak, Mr Arthur Hill and Mr Ian Mori, after a nine-day trial at the Old Bailey. They were alleged to have bought 5,000 shares in Press Tools minutes before the announcement of a *takeover and made a £13,000* profit when they sold the shares.

Their defence was that they had thought the takeover announcement had already been made when they bought the shares.

On November 8, a judge at Reading Crown Court ruled that Mr John Briggs, deputy chairman of Wheway engineering group, had no case to answer and must be acquitted.

A JURY at Southampton Crown Court was directed yesterday to acquit Mr Piers Fitzwilliams, a former director of City & Westminster Financial, a corporate finance company, who had denied four alleged breaches of the 1985 Company Securities (Insider Dealing) Act.

Judge Wroath halted the trial, which had begun on Monday, at the end of the prosecution's case. He told the jury: "I am satisfied the prosecution have not produced evidence and as a matter of law have not proved the case to the requirements of the Act." The jury formally returned verdicts of not guilty.

The prosecution had alleged that Mr Briggs had bought 28,000 Wheway shares when he knew negotiations were under way to take over two other Midlands companies.

Judge Murchie halted the case because, he said, "Every word of the prosecution case was helpful to the defence."

Until these last three cases the DTI had had virtually total success in its prosecutions under the 1985 Act.

The first person to be *charged under the new Act* was Mr Geoffrey Collier, former joint head of Morgan Grenfell Securities. In July, 1987 he was fined £25,000 and sentenced to 12 months' imprisonment, suspended for two years, after pleading guilty at the Old Bailey to two offences of dealing in the shares of Cadbury Shweppes and AE Engineering Group. He was also ordered to pay £7,000 towards prosecution costs.

Shortly afterwards Mr Ronald Jenkins, former private secretary to Lord Cayzer, chairman of the British and Commonwealth Shipping group, was fined £10,000 and ordered to pay £2,000 costs after admitting two offences of dealing in the shares of British and Commonwealth and Steel Brothers Holdings.

In April 1988, the DTI suffered a serious setback when a judge at Southwark Crown Court ordered the jury to *acquit Mr Brian Fisher, a for*mer stockbroker, who had denied two alleged offences of obtaining price-sensitive information and dealing in shares of Thomson T-Line.

The case turned on the meaning of the word "obtained" in the context of Section 1(3) of the Act, which makes it an offence to deal in shares on the basis of unpublished price-sensitive information "knowingly obtained..."

Judge Gerald Butler said that obtaining meant actively seeking or acquiring information. Mr Fisher, the judge said, had been given price sensitive information "without any opportunity for him to prevent that information being passed on". However the DTI was able to breath again when that apparent loophole in the law was closed by the Court of Appeal and the House of Lords, which held that "obtained" was the same as "received". People who dealt in shares on the basis of what they knew to be unpublished price-sensitive information were guilty of insider dealing no matter how the information came into their possession, the Law Lords said.

The later rulings did not affect Mr Fisher's acquittal.

In November 1988, Mr John Cross, former managing director of Wordplex, was fined *£7,000 at Oxford Crown Court* for using inside information to sell his Wordplex stake just before a new share issue was announced. He had pleaded not guilty and is to appeal.

The DTI has six other cases either before magistrates or awaiting trial at crown courts, and is investigating several dozen more. It will, no doubt, be examining them carefully and weighing up their chances.

MANAGEMENT: Marketing and Advertising

Born again products

Philip Rawstorne reports on brand extensions

One of the most important changes in product branding during the 1980s has been the trend towards redeveloping old brands.

Until the late 1970s most advertised new products in both the UK and the US carried new brand names. That has changed – and for good reasons, says Hugh Davidson, chairman of Oxford Corporate Consultants.

The failure rate of new brands has been high: up to 95 per cent of new grocery brands and not much lower in many other categories.

"Most new brands need heavy media support to enter the consumers' mental inventory," says Davidson. And the cost of television commercials has more than doubled in real terms in the past decade.

"In static and crowded markets, it is difficult to achieve the large revenues needed to make new brands profitable. By contrast, new products launched under established brand names can succeed with modest revenues."

Last, but by no means least, says Davidson, many old brands have been under-exploited.

This was the case with the Hovis bread brand until relatively recently (see below). The Hovis brand was featured at the Marketing Society conference in London last week at which Davidson gave the keynote speech.

Davidson also cited Horlicks, launched in 1883, which has increased volume sales by 60 per cent since 1980 by extending its appeal from elderly insomniacs to the mass market; and Equitable Life, founded in 1762, which has more than trebled its business during the past 10 years by focusing on personal pensions.

New brands, despite the failure rate, will continue to be introduced, of course. Existing brand names may not fit new product opportunities; and good brands are increasingly difficult and expensive to acquire via corporate takeovers.

Davidson predicts, too, that many old brands will become over-extended. "There is a narrow line between extensions that build long term franchise, and fragmentation that weakens a brand's core."

Such over-extensions could open niches that would provide opportunities for the marketing of new brands. In general, though, suggests Davidson, most new brands should be developed where large profit opportunities are identified and where it is reckoned that there will be chances to extend the brand across more than one market or country.

Where old brands should be consistent, Davidson says, new ones should shatter preconceptions. "Conventional straight line thinking can be a disaster on new brands."

How Hovis used its loaf

Hovis, for more than a century one of the UK's most famous niche brands, was earlier this year launched into the mass wholemeal bread market.

This latest stage in the development of the brand – and its fortunes over the past 100 years – underlines the marketing principle that if a brand is to grow, it must maintain the relevance of both its product and its message to contemporary consumers.

The Hovis brand first appeared in 1890, the result of a newspaper competition to find a more marketable name for Richard Smith's Patent Germflour, introduced four years earlier for a new brown bread.

An adaptation of the Latin, Hominis Vis – "the strength of man" – it won a £25 prize for its creator.

"It is a classic example of a brand-name – simple, memorable, easy to pronounce, different, and based on the product proposition," says Mike Handley, managing director of British Bakeries, the brand's owner.

The Hovis bread company was formed in 1898, and by the early 1900s the brand was well-established. When the bread was featured in the first Ideal Home Exhibition in 1908, it was already being dubbed "the world's best."

A 70-year period of sustained growth followed; constant and considerable marketing investment supported the brand, and an unchanged product, wheatgerm bread, through two world wars and disrupted markets.

Advertising and promotion was innovative. Posters were commissioned from illustrators such as Heath Robinson and Mabel Lucy Atwell. The Hovis "V" sign appeared on shopfronts in the 1930s; the catchphrase "Don't Say Brown Say Hovis" was coined, and widely popularised in pioneering television commercials in the mid-1950s.

"But while the brand name retained a dominant and memorable presence," says Handley, "and while the perception of health and nutrition remained strong, sales slowed and market share declined. By the end of the 1960s, Hovis had only 30 per cent of the brown bread market – and that was only 3 per cent of total bread sales."

Hovis was not only facing new competition – softer, moister, white and brown breads – but it had been restrictively positioned as a special occasion product, exemplified by the slogan "Teas with Hovis" from the 1930s.

"The brand's usage had narrowed at a time when eating habits were changing," says Handley.

The marketing response was a change of advertising and positioning: the assumption was that new communication was enough to relaunch the brand and stimulate sales.

Some notable television advertising was produced, especially in the mid-1970s when Collett Dickenson Pearce devised the nostalgic "Boy on Bike", "Homecoming", and "Runaway" series of commercials using Dvorak's New World Symphony as mood music.

"But sales volume peaked and despite the quality and weight of marketing support, the essential sales growth was not being generated," says Handley.

"Hovis's product had become less relevant and appealing to a sufficient number of consumers ... Inside the company, the confusion between the brand and its relationship with consumer values, as opposed to the brand's relationship with its product, was manifested in the marketing department's belief that the product was sacrosanct.

"In reality, the product had proved to be cyclical, though over a very long time-frame and at an astonishingly gradual pace. This confusion even led to a mistaken belief that the brand was similarly in its final life-cycle phase."

Nostalgia set to the New World Symphony

Hovis modified its baking recipe to improve the texture of the loaf and, in 1976, introduced a softer, wheatgerm product. New packaging and sizes met the needs of supermarket operators which Hovis had neglected in favour of the independent grocer and sales rose.

"The consumers' taste in bread texture and their shopping habits had moved on and Hovis had taken almost too long to respond," says Handley. The combination of a better product and the brand's inherent strength rapidly took its share of the wheatgerm sector to more than 80 per cent.

Hovis was still a relatively small player in the total bread market – "A small volume product with a very big brand name," according to Handley.

But when British Bakeries decided to enter the growing wholemeal bread market in 1981, the belief that Hovis was still equated with wheatgerm led the company to launch a new brand, Windmill.

Marketing strategy positioned Windmill as the health-conscious family's wholemeal, and designated Hovis as the speciality niche brand. By competing, the brands enlarged the wholemeal sector, but the production and advertising costs of maintaining two brands seemed an unnecessary burden.

In 1986, therefore, an intensive research programme was carried out on Hovis customers, its competitors, and its development prospects.

The conclusions were that Hovis was the best-known name in brown bread, that consumers responded to its traditional values and baking skills, and that it should become a major player in the standard wholemeal market.

To ensure that Hovis could be extended from wheatgerm without losing its base, British Bakeries embarked on an accelerated expansion of its niche product range. In successive years, it introduced Hovis Country Grain, Hovis Granary, Hovis Goldenbran, and Hovis Organic Wholemeal.

Then, in September this year, it launched Hovis Wholemeal – "the ultimate combination" of a mass-market loaf from the UK's most famous bread brand.

The marketing strategy was carefully planned. "We had to balance the old and the new, the brand values with the product message," says Handley.

Hovis is, so far, on target in its aim to double annual sales to £80m, and move from a niche to a mass-market brand.

Mail order for Middle East

Victor Mallet reports on a UK retailing initiative

For years Gulf Arabs have made seasonal migrations to Europe, both to escape the hot summer months at home and to do their shopping. Internationally minded mail order and direct marketing companies are now trying to persuade them to shop by post.

Though it is as yet an unfamiliar concept in the Arab world, it is costing the pioneers only a small initial outlay on advertising to test the waters of a potentially lucrative growth area. Unlike in Europe itself, there is no indigenous competition.

In particular the companies hope that Saudi Arabian women – forbidden to drive cars and subject to severe social restrictions which make it difficult for them to find work – will give a new meaning to the phrase "captive market". In the privacy of their own homes, they are free to be fashionable.

Freemans International, the UK mail order company, has operated in the Gulf for several years, quietly turning over an estimated £500,000 a year, but its main market has been the expatriate Western community. In the second half of this year it embarked on a campaign aimed at Arabs, whether natives of the Gulf or Arab expatriate workers from countries such as Egypt, Jordan and Syria.

Instead of small advertisements inserted by local agents, Freemans has taken full page colour advertising in an effort to establish a corporate image and market its catalogue. The message in publications like Sayidaty (My Lady), a Saudi women's magazine, is that Freemans brings London shops to the Saudi Arabian home at no extra cost.

"The opportunity comes from those sorts of country that don't have their own mail order companies," says Reg Mori, Freemans International director. "They like the Western fashions and its brand names they are familiar with.

"Mail order is not that well known in the Gulf and we need to get the name of Freemans across. Our advertisement is very much saying 'here is an opportunity to go to London without travelling'."

Franklin Mint, which specialises in the creation and direct marketing of proprietary products, mostly decorative items, such as reproduction Samurai swords, is testing the market in Saudi Arabia for the first time after expansion elsewhere, particularly in Scandinavia. "We believe that generally in the Middle East there must be a potential for direct marketing of luxury goods," says Stuart Anderson, Franklin Mint's managing director in London.

By emphasising the customer's right to return unwanted goods, he hopes to overcome any reluctance to order by mail. "It's not really a generally accepted system yet," he says. "If we can crack those problems we see it as being a major potential market ... to start with we've been using some lists that are owned by our distributor in Saudi Arabia, and we are about to start testing some media."

Anderson will also be aiming at the Western expatriate resident in Saudi Arabia, although he expects different products to appeal to different groups. Very expensive jewellery items, for example, might appeal to wealthy Saudis, while expatriates might prefer more modestly priced lines such as Franklin Mint's range of model cars. Mori of Freemans believes that even the rich like bargains, as well as the convenience of home shopping.

Neither company plans to extend credit. That, together with a hard Saudi currency, widespread use of credit cards and the employment of local agents familiar with Gulf customers and commercial regulations should rule out financial problems.

The culture gap between Western liberal societies and a particularly strict Islamic state is another matter. Freemans will regularly have to wield black felt tip pens to censor the thighs and cleavages on the fashion pages of its catalogues.

Franklin Mint will have to exclude all kinds of risky items proscribed or frowned upon by the Saudi authorities, from representations of the (Christian) cross and glasses for alcoholic beverages to chess set figurines. Representations of the human form are disapproved of by many strict Moslems. It has already had to veto its Monte Carlo watch, because it was based on the golden chip used for gambling in the town's casino.

BUSINESS LAW

Merger rule draft upsets industry

By Celia Hampton

As an already moving target for many marksmen, the European Community's attempt to formulate a single merger control mechanism has become alarmingly agile. Outsiders have only a sketchy idea of what the latest version of this proposal actually says and what is known is hardly cheering.

The responsible ministers from the member states presumably have a clearer view, since they will discuss today in Brussels what may be the final text. They have only one more chance to do so, in mid-December, if the French Presidency of the EC is to achieve adoption of the regulation. Ireland, which takes over in January, is thought unlikely to press ahead with quite the same fervour as the French.

The changes to the draft are being moved by the member states, with the Commission more or less standing by, although it is probably having to devise new wordings in nine languages at some speed.

If informed comment is accurate, industry is in for a shock: two quite fundamental changes have been made to earlier versions of the draft. There has been little time for consultation and everything now indicates that the regulation is forging ahead on the back of political compromises.

The two changes are:

- A serious incursion into the much-vaunted "one-stop shop" principle by allowing national competition authorities to examine planned mergers to which the Commission does not object; and
- The removal of the power to authorise an otherwise anti-competitive merger on other grounds, such as economic or technological benefits.

Industry feels "shopped" and "very upset," according to Mr Peter Cottis, a senior legal adviser to Lucas Industries plc, addressing a conference organised by IBC Legal Studies & Services on November 20.

European industry feels that the ministers have moved the goal posts at the last minute in a direction on which it has not been adequately consulted and to which it would not have agreed.

Until recently, the draft regulation promised a measure of certainty in applying competition law to mergers and acquisitions in the climate of confusion that has followed the European Court's 1987 judgment in the *Philip Morris* case.

The draft also promised improvements in the speed and *simplicity of corporate deals* by having just one EC-wide control instead of five or six different regimes. It was seen as a safe haven from the vigilance of the German competition authority, the *Bundeskartellamt*. These two aspects of the earlier draft helped to make it palatable – well, almost palatable – to EC-based companies.

It seems that the one-stop shop will remain, but only when the Commission decides to forbid a merger. If the Commission decides that a merger is not anti-competitive on a Community scale, the national competition authority may then be able to take up the cudgels against it. Quite when this will be possible is not known and will be much discussed in Brussels today.

The German government wants the *Kartellamt* to have power to forbid a merger which affects competition in Germany even if the merger comes within the class (*very big and cross-border*) covered by the regulation, and even when it is found by the Commission not to impede competition in the EC.

This builds on a provision contained in the earlier drafts allowing the Commission to refer a merger back to national authorities to apply their own law to "local markets within their respective territories." In building on it, however, the new proposal alters it by extending it to a market consisting of the whole country.

While small states may not realistically be divisible into local markets, EC competition law treats Germany, like the other large member states, as in itself a significant part of the common market. By definition, a large cross-border merger within the regulation which had an impact on competition in Germany as a whole would already have been assessed by the Commission when evaluating "competition in the common market or a substantial part thereof." So the new proposal is a precise example of the double jeopardy the regulation was expected to remove.

The EC Competition Commissioner, Sir Leon Brittan, may not be expecting the proposal to be accepted. Addressing the European Air Law Association in London as recently as November 2, he said: "The Commission will be able to provide a one-stop shopping facility. So rather than adding an extra layer of bureaucracy, the regulation would peel away several layers of bureaucratic control at one stroke, reducing these to a single approval procedure in every case."

If in the end he is proved wrong, it is at least to be hoped that the circumstances in which the national authorities can challenge a merger to which the Commission has no objection will be strictly *defined and circumscribed*. If not, industry would be right to feel better off without the regulation.

Another complication on jurisdiction has been put forward by the Netherlands government. Many EC countries have no merger controls of their own and they have been hoping that the Commission would help them protect their companies from corporate predators of any origin.

The UK and Germany pressed for and won agreement to elevated thresholds on the size of the parties going into a merger. This, naturally, worried the countries which have no means of protecting themselves internally.

They appear to have gained an optional application of the regulation to mergers of a smaller size. They could ask the Commission to examine the merger within the terms of the regulation rather than under the competition law articles of the Treaty of Rome.

The effect of these articles on mergers is so unclear that this provision, properly formulated, might even be welcome to industry if it clarified the Commission's powers. Legal certainty in this whole area is now at a premium, and in any event the capacity of the Commission or the ministers to exclude private lawsuits remains illusory: parallel litigation in national courts will remain possible.

The other big change is the removal of the Commission's power to authorise an anti-competitive merger "on the grounds that its contribution to improving production and distribution, to promoting technical or economic progress or to improving the competitive structure within the common market outweighed the damage to competition" – a power analogous to that under article 85(3) of the treaty to exempt an anti-competitive agreement between competitors.

The change is almost certainly at Germany's behest, since it has pressed for competition to be the sole criterion for judging whether or not a merger should be allowed. Failing a fully independent European Cartel Office (unlikely in the near future), Germany would prefer assessment according to that single criterion, even it meant sacrificing other benefits, than to have the Commission referring to industrial policy considerations on which politicians could bring conflicting and insistent pressure to bear.

The Federal Cartel Office has unflinchingly applied the competition criterion alone to trade and industry in Germany for the last 40 years – hardly with adverse effects. But its domestic situation is very different from that in the EC, as was shown by the Daimler-MBB merger: the cartel authorities' condemnation of the deal was overridden by the Economics Minister on industrial policy grounds.

The EC would have no political body capable of overriding the Commission's prohibition of a merger, and the Commission would have no option but to prohibit it if it was manifestly anti-competitive. This combination is apparently without precedent in the world's competition laws.

The conceptual purity of adhering to the competition criterion has its attractions, but the lack of flexibility could lead to distortion of the very concept it seeks to advance. The Commission will be assessing mergers within a fairly tight timetable, and it will be hard to give each one the measured analysis it needs in what may be a complex market in several countries at once.

As a highly dangerous but possible outcome, the meaning of competition might be compromised, or the relevant market mis-defined, to meet the exigencies of the individual case which promised benefits otherwise than to competition.

We should know the worst by the end of the year. If today the draft is adopted in its new shape, we probably know the worst already.

The author is executive editor of the FT Business Law Brief.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1988							
1st qtr.	107.9	110.9	31.3	117.0	118.7	2,486	249.6
2nd qtr	108.2	112.4	32.0	118.7	122.7	2,364	255.2
3rd qtr.	110.5	115.8	32.5	120.1	128.9	2,228	244.3
4th qtr.	110.2	116.8	32.4	121.0	135.4	2,101	241.4
November	110.8	116.9	32.4	120.7	145.2	2,105	241.5
December	109.9	117.2	32.3	121.1	161.9	2,057	237.8
1989							
1st qtr.	109.5	118.8	36.7	121.5	128.4	1,952	226.8
2nd qtr.	108.7	119.0	37.5	122.3	132.7	1,834	222.4
3rd qtr.	110.8	119.8		121.7	134.7	1,742	220.3
January	109.7	119.0	35.4	119.5	124.3	1,988	230.9
February	109.3	118.3	35.6	122.1	123.8	1,949	229.9
March	109.5	118.3	36.7	122.8	127.4	1,917	224.9
April	108.7	118.1	38.1	120.9	131.6	1,868	223.2
May	108.1	118.7	37.8	124.5	133.4	1,836	219.5
June	108.3	119.2	37.5	121.6	133.0	1,810	224.4
July	109.8	119.7	38.2	121.0	136.6	1,767	228.8
August	111.4	120.2	36.2	121.6	134.0	1,745	219.5
September	110.5	118.9		122.3	133.9	1,694	220.7
October				121.4		1,674	214.6

OUTPUT- By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1988							
2nd qtr	111.7	109.3	108.5	109.9	120.1	101.8	22.3
3rd qtr	113.7	113.8	109.0	114.9	123.5	102.1	20.4
4th qtr	113.8	115.9	108.7	118.1	124.1	101.5	18.4
November	114.5	116.3	107.2	117.0	119.0	101.0	21.4
December	114.8	115.6	106.0	115.0	125.0	103.0	14.2
1989							
1st qtr.	114.8	118.3	104.2	118.1	130.2	98.9	17.9
2nd qtr.	115.9	118.8	102.2	116.7	123.3	99.2	18.6
3rd qtr.	115.0	122.5	104.5	120.6	122.7	98.9	
January	114.4	119.3	104.4	119.9	137.0	100.0	18.5
February	114.2	118.1	104.1	116.0	129.0	100.0	19.4
March	115.7	117.6	104.0	118.9	125.9	100.0	15.9
April	116.8	115.7	104.9	116.0	130.0	100.0	18.4
May	115.9	119.3	100.9	120.0	123.0	100.0	19.6
June	115.7	121.3	103.7	120.8	117.0	98.0	17.7
July	116.2	123.1	102.4	122.0	120.0	100.0	16.5
August	114.6	124.0	103.5	121.5	122.0	98.0	14.0
September	114.2	120.4	105.6	120.9	126.0	99.0	13.9

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1988							
1st qtr.	107.3	119.5	-4,029	-3,081	+730	97.8	44.64
2nd qtr	114.9	128.2	-4,530	-2,781	+985	97.1	46.52
3rd qtr	112.8	134.8	-5,724	-3,416	+627	97.3	50.48
4th qtr.	107.3	134.7	-6,465	-5,365	+380	96.7	51.69
December	109.6	133.2	-1,815	-1,448	+152	97.6	51.69
1989							
1st qtr.	112.8	140.4	-5,980	-4,777	+241	98.7	50.46
2nd qtr.	114.7	149.2	-5,874	-4,907	+290	98.9	43.67
3rd qtr.	117.8	146.5	-6,794	-5,895	+154	98.3	42.88
January	117.1	145.1	-2,047	-1,646	+115	98.9	51.71
February	105.4	138.0	-2,215	-1,814	0	98.6	51.66
March	115.8	138.2	-1,718	-1,317	+126	98.7	50.46
April	111.5	140.0	-2,175	-1,863	+134	98.9	47.26
May	113.4	138.4	-1,725	-1,492	+58	98.9	46.09
June	117.0	142.1	-1,974	-1,852	+98	98.9	43.67
July	115.5	148.2	-2,547	-2,247	+61	98.3	43.63
August	111.1	141.1	-2,308	-2,068	+57	98.7	43.21
September	125.5	149.5	-1,940	-1,646	+36	98.0	42.86
October							39.66

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1988							
2nd qtr	6.6	14.6	16.6	+22,368	4,173	+1,022	9.50
3rd qtr.	7.7	16.8	16.5	+22,492	3,162	+998	11.50
4th qtr.	7.7	18.8	17.5	+19,580	3,168	+797	12.70
December	7.7	18.8	17.5	+7,390	819	+208	13.00
1989							
1st qtr.	6.7	16.2	18.4	+21,236	2,681	+814	13.00
2nd qtr.	5.8	12.6	19.0	+21,215	1,735	+968	14.00
3rd qtr.	5.0	10.7	18.0	+26,222	2,295	+709	14.00
January	7.2	15.4	18.9	+8,670	784	+241	13.00
February	6.6	15.7	18.5	+4,758	1,064	+283	13.00
March	6.2	15.2	18.4	+7,777	813	+310	13.00
April	5.7	15.0	18.1	+7,127	1,175	+333	13.00
May	6.2	14.4	18.8	+6,997	713	+467	14.00
June	5.5	12.6	19.0	+6,929	-153	+168	14.00
July	5.0	10.5	17.1	+7,579	846	+245	14.00
August	5.7	10.5	17.8	+8,443	821	+363	14.00
September	4.2	10.7	18.0	+10,200	816	+101	14.00
October							15.00

INFLATION-Indices of earnings (1988=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earn-ings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods	Reuters* cmdty.	Sterling
1988							
1st qtr.	96.4	96.0	111.8	103.7	103.5	1,747	75.3
2nd qtr	98.7	97.6	112.6	106.2	104.6	1,817	77.6
3rd qtr.	100.8	98.4	113.9	106.5	104.7	1,802	75.9
4th qtr.	104.1	100.1	115.2	109.9	105.7	1,857	77.5
November	103.7	99.8	115.2	110.0	105.7	1,886	77.1
December	106.9	102.6	115.4	110.3	106.5	1,921	79.6
1989							
1st qtr.	105.4	102.6	116.5	111.7	107.8	1,974	97.1
2nd qtr.	108.0	104.4	118.2	114.9	110.2	2,016	93.6
3rd qtr.	110.0	103.1	119.5	116.0	110.7	1,912	91.7
January	104.2	104.0	116.4	111.0	107.4	1,980	97.9
February	104.5	101.9	116.8	111.8	107.7	1,954	97.4
March	107.3	102.4	117.2	112.8	108.3	1,988	95.8
April	107.3	103.9	117.8	114.3	108.6	2,016	95.5
May	107.5	104.7	118.3	115.0	110.3	2,010	94.3
June	109.1	104.7	118.6	115.4	110.7	2,027	91.1
July	110.2	102.7	119.0	115.5	110.1	1,940	92.2
August	109.1	102.7	119.5	115.8	110.6	1,902	91.6
September	110.7	103.9	120.0	116.6	111.3	1,893	91.3
October		104.2	120.5	117.5	112.4	1,859	89.7

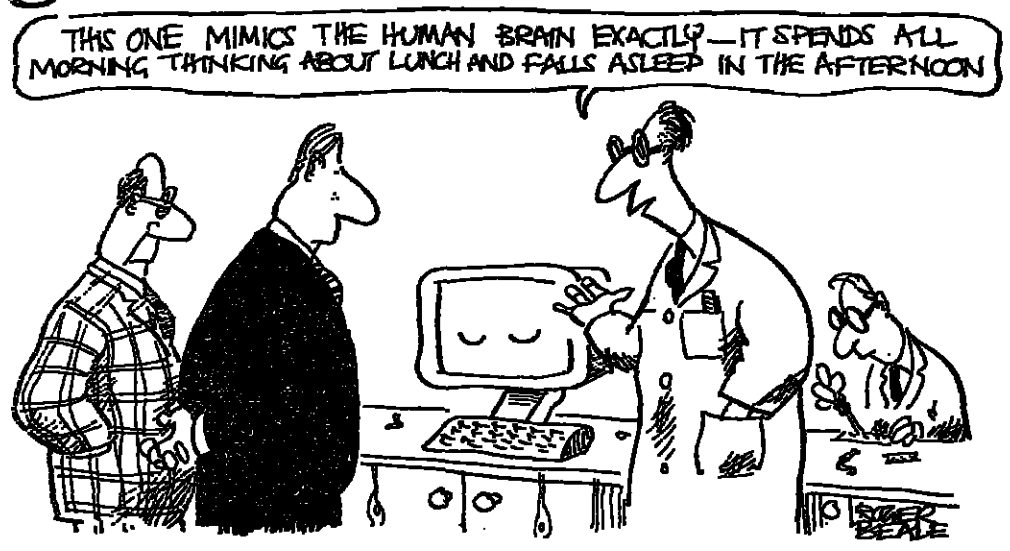
*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

TECHNOLOGY

Bruce Andrews describes how neural networks are learning to simulate the human thinking process

The brain's mimic gets mixed reviews



In 10 years' time every personal computer will have an inexpensive card appended to it which will cope with images, language and other forms of pattern identification.

It will take verbal instructions, responding to vague commands such as "Find the file on Joe Bloggs." It will summarise the contents of printed documents and take accurate dictation. And it will probably be good at assessing business risks and giving stock market advice.

Other commonplace products will be telephones that respond to a simple request ("Call Henry Jones"), security systems that distinguish resident from stranger, and vacuum cleaners that find their own way round the furniture.

These predictions, by Igor Aleksander, professor of neural systems engineering at the Imperial College of Science & Technology in London, presuppose considerable developments in neural networks (computer systems which mimic the working of the human brain).

The concept of neural networks goes back long before the development of commercial computers. Alan Turing, the English computing pioneer, looked at theoretical ideas for mimicking the brain as early as 1936. In 1943, McCulloch and Pitts of the Massachusetts Institute of Technology (MIT) produced an electrical engineering model of the neuron (brain cell). In the 1960s this model was simulated on a computer by Frank Rosenblatt of Cornell University.

Rosenblatt developed the single-layer perceptron, a simple network of neurons which could respond to external patterns and "learn" to recognise similarities between one pattern and another. In 1968 Minsky and Papert, of MIT, threw cold water on neural developments, pointing out that there were patterns that the perceptron could not recognise.

Under their influence, work on artificial intelligence was directed towards developing rule-based systems. The philosophy was "let people learn and let computers follow the rules people give them." In the early 1980s, government-funded artificial intelligence programmes concentrated on the development of rule-based systems. These programmes helped to develop expert system technology, now of substantial commercial value. But there were many disappointments. Expert system initiatives often failed because the expertise could not be expressed within a manageable number of rules or because precise rules could not be obtained from the expert.

In 1982 John Hopfield, of the California Institute of Technology, suggested that neural networks might work where rule-based systems failed. For example, in valuing a share, an expert will take a large number of factors into account. Asked why he puts a high valuation on a certain share, the expert, however competent, may not be able to give a precise answer. A neural network exposed to the data behind a large number of the expert's decisions can learn to emulate the expert's thinking, attaching the same value as the expert would to similar patterns.

In 1986, Rumelhart, Hinton and Williams, of Carnegie Mellon University, announced their multi-layer perceptron, capable of recognising more patterns than the single-layer perceptron. Until recently, the commercial world took little interest. Businessmen did not understand neurocomputing or appreciate its value. In the last two years, however, there has been a sudden upsurge of enthusiasm. Several software and hardware products have come on the market and a number of consultants now offer advice.

These early products have some value, says Aleksander. "You follow simple instructions, put in the data and the decisions the expert would make, and the system will make the link. They can perform tasks similar to that of an expert system and have a value in prototyping and in training. These products can be put to practical use where there are not many parameters. But they are little more than toys, compared with the full capability of neurocomputing. The danger is that, by raising expectations they cannot fulfil, suppliers and consultants are damaging the future of neurocomputing as a whole. They're going at it too early."

Work is still at the laboratory stage, insists Aleksander. He points out that to do anything really useful, millions of neurons are needed. The human brain contains about 100bn neurons. It is not necessary to match this number. The neural processor now available is considerably more powerful than the biological neuron. But it is necessary to develop systems which have many more processors than those available at present and which, above all, have properly designed interconnections.

"We've cracked the neuron problem, using conventional silicon technology," says Aleksander. "People are now trying to develop new VLSI (very large scale integration) chips in order to emulate the biological neuron more closely. This is the biggest nonsense I've ever come across. Nobody wastes time trying to make an aeroplane flap its wings. The need now is to develop better architectures and better interfaces. Those we have at the moment are too primitive."

One of the leading neurocomputing researchers in the UK is British Telecom, which claims to be world class in the field of speech recognition.

The company has invested more than £2m in neurocomputing since 1984. This includes grants to the University of East Anglia of £357,000 to investigate self-learning systems for speech recognition, and £150,000 on Connex, a project to study the use of neural networks in image processing, speech technology, natural language processing and expert systems.

Several of BT's research ventures have reached the stage where successful demonstrators have been developed. An early target application was telephone directory enquiries. A machine which could respond accurately to enquiries would mean improved service coupled with substantial cost savings. "We've now developed a demonstrator which is virtually perfect," says Bob Linggard, senior engineering adviser. "It will, however, take some time before the system is fully verified and installed for public use, perhaps 10 years."

BT has already developed a single-word recognition system for the Royal Bank of Scotland's home banking service. This is at the pilot study stage and will soon be on public trial.

In image processing, one target application which has successfully reached the demonstrator stage is for image compression. This will enable images to be transmitted over a narrower bandwidth. Work is also under way at BT on systems for "scene understanding," where a remote user is alerted to anything unusual which may have occurred at a particular location – a level crossing, for example.

The biggest difficulty to overcome, Linggard acknowledges, is natural language processing, where a system must be able to understand (as distinct from just recognise) speech or text. Linggard says there is still much to be learnt. "I don't think we can complain that our computers are not powerful enough," he says. "What is deficient at this stage is our own knowledge."

Other leading researchers share the view that there is a long way to go. For example, Hitachi Europe recently opened a research laboratory in Dublin, in association with Trinity College, staffed by 10 researchers of whom three are Japanese.

Much of its work will be in neurocomputing, covering pattern recognition problems including speech recognition. In Japan, Hitachi researchers have been working in this area for several years but the Dublin laboratory is at present engaged in basic research, with no operational application as yet.

"We have to realise that all neurocomputing techniques compete severely with conventional technology," says Osami Okada, general manager of Hitachi Europe's research and development centre. "Neurocomputing has the potential to be superior to conventional technology, but not yet. It is a very well-born baby. We just have to be patient."

The author is managing editor of FinTech, the Financial Times newsletter service on the business aspects of new technology.

Balancing act from a juggler's perspective

Nick Garnett describes R&D strategy at Komatsu

"THE banks and security houses here visit our research centre regularly," says Eisuke Nakanishi, managing director of the research and development centre at Komatsu, Japan's biggest construction machinery maker.

"I think Japanese financial institutions are now interested in mergers and acquisitions and they are interested in technical tie-ups."

British banks are not known for walking up to the door of R&D centres (such as they are) in the UK's heavy machinery companies. But banks in Japan are. "Their people come to Komatsu's head office but they come here also to find out what perspective we can give," says Nakanishi.

At Komatsu's research centre at Hiratsuka, built four years ago at a cost of Y15bn (£67m), visits by financial institutions provide one difference between Komatsu and large British heavy equipment makers. The other is the number of engineers doing some form of development work.

Komatsu, with yearly sales last year of Y793bn, has a policy of diversification. But as a maker of equipment like excavators (the basic principles of which have been known for decades), it does not need the kind of R&D commitment required by an electronics or chemicals company.

Nevertheless, around 1,200 Komatsu staff working at the company's factories are engaged in some form of technical development work. At Hiratsuka, the company's central R&D centre for all products except diesel engines, Komatsu employs 350. All but 5 per cent of these have a background in engineering or in physics. This includes all 250 research engineers and most of the 100 administrative staff. Some 70 per cent of engineers have masters degrees.

Only four are older than 50, including Nakanishi, a 52-year-old chain smoker who graduated from Osaka university after specialising in welding. He took his doctorate at Kyoto University and became a lecturer in mechanical engineering.

Heavy manufacturing has a much better standing in the Japanese economy than in the UK, but Nakanishi complains that machinery makers are struggling to compete with electronics companies and the financial sector for top graduates. He also believes the standard of engineering graduate in Japan is falling.

Komatsu claims to be one of the top payers in heavy manufacturing. Despite talk of Japan being a high wage economy, pay scales are closer to those of the UK than of the US. Young engineers start on Y170,000 (£750) a month. Masters graduates begin on Y200,000. By the age of 30, the average for a Komatsu development engineer, the employee can expect to earn Y5.5m (£24,000) a year.

Big Japanese manufacturing companies, including Komatsu, provide dormitory blocks for unmarried employees. But Nakanishi says that dormitories do not go down well with professional engineers. "A half of our bachelor engineers live in company dormitories but engineers have a philosophy on life which is not in tune with collective behaviour like this. So we also try and find houses for them."

One of the issues about Japanese industry which has always been a little murky to outsiders is the amount of money the government gives to technical research by industrial companies. Komatsu says it spends on average about 4 per cent of sales a year on product development and 1 per cent on research.

Nakanishi says the government pays nothing towards Komatsu's development activities but does pay on average 3.5 per cent to 5.5 per cent of its research business. This works out as a yearly contribution of between Y200m and Y400m.

Komatsu research includes work on equipment that can be used under water, laser and electronic devices used in special vehicles for tabulating the condition of road surfaces, and a flexible robot that looks like an elephant trunk. The government is funding 70 per cent of the costs of Komatsu work into solar panels.

Other things are more recognisable as common problems of company research centres the world over. One is funds. Nakanishi says a principal target of Hiratsuka is to find more sophisticated higher value added technologies and products on which Komatsu can establish new arms to its business. As a result, he says the 1 per cent spent on research is "not sufficient."

Nakanishi has to juggle the budget between R&D. "Of course there is some conflict here but we try to reach agreement through consensus. We are required to solve day-to-day technological problems as well as doing basic research. Balancing this is our biggest headache."

Like many other managers Nakanishi has occasional problems in aligning the thinking of management with his own (and vice versa) on product development. He almost bites his lip when he talks about the robot. Komatsu developed one of the world's first robots for commercial use back in the 1960s but then failed to pursue it, missing out on the opportunity of becoming a leading producer.

Many big Japanese companies have inter-departmental conflicts just like their European and North American competitors. At Komatsu this spills out between Hiratsuka and the company's factories when technical personnel are sometimes reluctant to accept ideas coming from the development centre.

"I think there is sometimes a 'not invented here syndrome'," Nakanishi says. "The best way to get round this problem is to transfer people from here to other parts of Komatsu to get these ideas accepted."

Nevertheless Nakanishi, who travels overseas about four times a year trawling for ideas around technical institutes and other companies, enjoys his job and is pleased to work at the centre. Most Komatsu engineers want to work at Hiratsuka, he says, rather than at the company's vast and extraordinarily hard-working factories. "They think it is heaven here."

Exchange

NUFFIELD THEATRE, SOUTHAMPTON

Yuri Trifonov's *Exchange* was produced at the Taganka Theatre in Moscow by Yuri Lyubimov in 1976. It ran there until 1984, when Lyubimov was seen off. Then last year, in the new age of glasnost, it was revived. When Michael Frayn saw it, he immediately asked for permission to translate it, and this is what we now see.

It is a play that depends less on story than on way of life – in Russian, *byt*. Trifonov has been accused of "bytovism," too much concern with the way of life; but, as he has written, *byt* is something we all live in inescapably, it is the network of everyday concerns, ordeal by life.

At the heart of *Exchange* is a simple problem. Viktor Dmitriev lives with his wife Lena and teenage daughter Natashka in a one-room flat, with a shared bathroom, and Tanya McCallin's designs encapsulate its depression. Viktor's old mother Ksenya also has a one-room flat, but she has a dacha too, and Lena doesn't see why the two one-room flats should not be legally exchanged for a two-room flat.

The objections come from family affairs, not legal difficulties. Viktor's sister Lora and her husband, who are working on diggings in Siberia, live in the dacha when they are away from their work. Lena can't get on with Ksenya. Her father, Ivan Lukyanov, very much of a fixer, wants things done his own way. Just when Lena thinks Ksenya is prepared to surrender the key to her flat, the old lady, who is suffering from stomach cancer, has a relapse.

I haven't tried to assemble these details into a plot, for a plot is not when Trifonov offers us, but a view of Moscow society as experienced by a variety of average citizens. The play was originally adapted from a novel, and Trifonov has tried to include every detail he can, with the theme of exchange seen throughout – not only exchange of flats, but exchange of girls, of loyalties, of interests.

So time moves to and fro in a calendar of its own; characters thought of make a physical appearance; thoughts are spoken aloud. Viktor has scenes with his former girl-friend Tanya, rejected for Lena; with his father, long dead; with his grandfather, much opposed to contemporary behaviour. An agent who believes he can facilitate flat exchanges crosses the stage from time to time, but helps no one. (He has 13 connected exchanges to deal with!) An irrelevant handyman repairs a cesspit. Aunts and cousins abound in Gilbertian generosity.

The picture of this inimical *byt* is displayed with the vigour and conviction of a Chekhov, if not with his dramatic artistry. Viktor, as played by Martin Jarvis, is split between everyday efficiency and resignation to his antagonistic fate. Rosalind Ayres is a pleasant young wife at one moment, a selfish bitch at the next, certainly less likeable than Lavinia Bertram's Tanya, even than Gabrielle Lloyd's positive Lora. Ksenya is a lovably pathetic mother in Faith Brook's hands.

Patrick Sandford is the imaginative director.

B.A. Young

CINEMA

Spaced out time shuttles

Christopher Lloyd in 'Back to the Future 2'

BACK TO THE FUTURE 2
Robert Zemeckis

FIELD OF DREAMS
Phil Alden Robinson

A PRIVATE LIFE
Francis Gerard

A WINTER TAN
Jackie Burroughs

REEFER AND THE MODEL
Joe Comerford

Dear Albert Einstein,

I am writing to you on my interdimensional fax machine to see if you can help. Many of us here on Earth can no longer work out the time-space complexities of Hollywood movies.

Back To The Future 2 is the most fiendishly challenging yet. Since this sequel to the hit 1985 fantasy takes its time-hopping hero Marty (Michael J Fox) and scientist companion "Doc" (Christopher Lloyd) into 2015 A.D, and then doubles back via 1985 to 1955 ending with a glimpse of 1885, is it a sequel or a prequel? Or both? Is the chap who looks like Marty's Grandad in the future actually Marty himself? (Or his father? Or his uncle?) Can Marty and Doc really meet their own doubles at a point in the past when neither has yet been born? And why is Marty's boyhood enemy Biff, now grown up, wearing that peculiar wig?

Dear Confused of Financial Times,

These questions are indeed exercising. Obviously thanks to the success of *Back To The Future 1* (if we may be permitted the hindsight digitalisation). Universal Pictures have created a follow-up in accordance with the universal law, E=MCA squared (E standing for entrepreneurial energy, MCA for Universal's parent company). Relativity insists that time is curved: therefore all successful movies may well meet their near-exact doubles at a point along the sequel spiral. I hope this helps. I cannot explain Biff's wig. Einstein.

Dear Mr Einstein,

Thank you for your reply, which clears up several valuable points. I may be writing to you again in six months time, for I understand that they have made *Back To The Future 2* back to back (so to speak) with *Back To The Future 3*, which will be out next summer. The mind boggles. Is there any way to preserve one's mental equilibrium in the face of all this?

Dear FT,

No comment. Einstein.

Heady days indeed in the sequel continuum. The secret to enjoying *Back To The Future 2* is grasp your befuddlement with both hands and brace yourself for lift-off. We will not attempt to unravel the plot for you, as we are still trying to do that for ourselves. Enough that 17-year-old Marty (still played convincingly by 29-year-old Fox) zigzags through time to foil a plot by the bewigged Biff to turn their home town into the Las Vegas of the next millennium.

The film's finest hour is its first. Touching down in 2015, director Robert Zemeckis and designer Rick Carter turn the earlier movie's homely town square into a futuristic fun park. Flying cars and "hoverboards" (aerial skateboards) scoot round the skyline; *Jaws 19* plays at the cinema, complete with holographic shark lunging from the marquee; and in the nostalgia-inspired "Cafe 80s," animated computer-images of Ronald Reagan and the Ayatollah Khomeini bark out the day's menu.

At times we wish someone would bark out "slow down" instructions to the plot. Made for 30-second attention spans, the film dashes from one climax or cliffhanger to the next, like a jet traveller terrified he will miss a connection. Coronary collapse seems a distinct possibility for the movie during most of its final thirty minutes. But in a saga whose success is built on inspired incidentals, enough of these abound to sustain momentum into part three. And Mr Fox continues to grow as the cinema's finest pintsize dynamo since James Cagney.

Field Of Dreams, written and directed by Phil Alden Robinson from W.P. Kinsella's novel *Shoeless Joe*, is almost as convoluted in its time-shuttlings as *Back To The Future 2*. But far more whimsical. Iowa farmer Kevin Costner razes an acre of precious cornfield to make a baseball field. Why? Because the voice of dead baseball legend "Shoeless" Joe Jackson has whispered to him: "If you build it, he will come."

And lo! Mr Jackson comes. So do the other Chicago White Sox players of yesteryear, swathed in legend apart from the minor wrinkle of having "thrown" the 1919 World Series. (See John Sayles's film *Eight Men Out*.) As time wears on, these ghosts are joined by others, including a young Midwesterner who never realised his baseball dreams. (We have met met him in old age as Burt Lancaster.) The shade of Aaron Copland also seems to want to join in, judging by James Horner's pastoral-inspirational music.

So the 19-teens, the 1980s and a few other eras tussle for proprietorship of the American dream. But time-shuttlings are the least of the film's problems. What sticks in the throat, in place of the lump Robinson tries to put there with the film's sentimental transports (celestial choirs a speciality), is its indigestible cook-up of throwback politics and Capraesque populism.

All but bankrupting his wife, child and farm, our hayseed hero tries to recreate a bygone America. He is helped in this by co-protagonist James Earl Jones: a black Pulitzer-prize-winning writer and former 1960s idealist, now pulled from cherished oblivion to join Costner in his hunt for redemptive ghosts. Jones is there at the close when the field fills up with folk and the soundtrack hums to dialogue like "Is this Heaven?," "No, it's Iowa."

The film, a $60m hit in America this year, is less Field of Dreams, more Catcher in the Corn: 90 minutes of shimmering hokem that might have been conceived by Grandma Moses in collaboration with Norman Rockwell. Kevin Costner performs marvels as the hero: eyes lyricised by belief, Henry Fonda drawl filtered through Gary Cooper visage. But even he cannot tackle corn this high, wide and winsome. The film's only moment of come-to-your-senses wit is James Earl Jones's greeting to Costner when he first shows up, babbling of green fields. "Oh God no," says Jones, "you're from the Sixties." Touché. But it is the first and last rapier thrust in the film.

The week's other movies, modestly made, are defter at weaving a political subtext into a wearable plot. *A Private Life* tells the truth-based tale of a South African couple whose life was blighted by apartheid. White Afrikaans policeman Bill (Bill Flynn) meets young, white-complexioned Stella, registered as "coloured" (Jana Cilliers). They illegally live together and have children. The family is riven with race-related tensions; one son tragically dies; the mother continues her dogged battle to be registered white.

Part-funded by the BBC, the movie's scale is miniaturist. No *Cry Freedom* grandiloquence; more a fine and deadly anatomising of family life lived inside the invisible barbed wire of race laws. Francis Gerard directed, Andrew Davies wrote the script. Only one complaint. The movie focuses so closely on the perceived injustice of one "white" woman's registration as "coloured" that we sometimes forget to howl at the whole concept of classification by colour. The microcosm distracts us from the macrocosm.

A Winter Tan is a one-woman show masquerading as a movie. Jackie Burroughs eats up the screen with her bare fingers. She stars as (real-life) American writer and feminist Maryse Holder, who was murdered in Mexico during a long, promiscuous sex spree detailed in her surviving diaries.

Raddled, hoarse-voiced and electrifying, Burroughs comes on like Melina Mercouri with nymphomania. She and the voiced-over diaries together wrestle with the movie's clamorous paradox: What is a nice feminist like this doing hurling herself over the cliff of sexual self-immolation? Five co-directors, including Ms Burroughs, help try to explain. Riveting.

Joe Comerford's *Reefer And The Model* is as amiably battered as its Irish protagonist's trawler. Chucking its hero and heroine onto the sea of life – he an ex-IRA fighter turned petty criminal, she the pregnant "model" he picks up on the road – the movie takes them from stuttering self-discovery on the briny towards action-climax destiny on terra firma. Part thriller, part comedy, part oblique glance at the Irish troubles, the movie bobs about on an ocean of genre alternatives. But its restlessness is finally its charm: a thoroughly modern fable about a land battling with a thoroughly intractable identity crisis.

Nigel Andrews

Hamlet

OLD VIC

Veronica Smart and Daniel Webb

In a flurry of advance publicity concerning bullied actors, tearful actresses, and an avowed disregard for language, character and motive, Yuri Lyubimov's production of *Hamlet* has come to town from Leicester, where Michael Coveney reviewed it.

I am not sure if it sheds light on even that most fluidly protean play; but it provides an experience of often exciting theatricality in the great central European tradition of *expressionism* and *audacious stylisation*.

David Gant's chief player, a top-hatted tramp, no shirt beneath the rags, goose-stepping through hammy thespian flourishes, sums up this dark Slavonic antic hay. No, the characters are not deeply motivated individuals in the English way; more capering figures in a frieze.

The dominant feature remains the arras, a worked tapestry, oatmeal in colour, high relief on one side, knots on the obverse. It moves forwards and back, swivels and turns, sweeps across the stage at right angles to us driving courtiers before it, challenged by panicky guards, a mist, a menacing shape, a space monster. Its swivelling enables us to see Polonius and the king eavesdropping on Hamlet's rough treatment of Ophelia, shows us the transfixed Polonius and the tenacious Hamlet, linked by cold steel through its folds.

Lyubimov's liberties are no more outrageous than the masterpiece can take (and, like all masterpieces, welcome); certainly no more than one finds in the adventurous provincial houses. More questionable is the un-Shakespearean gossip for the gravediggers throughout and the cuts that include, sadly, Polonius' *envoi* after "To thine own self be true." Richard Durden successfully combines absurdity and nastiness in specs and turtleneck cable-stitch. The sweater-clad cast, together with the tapestry curtain, make it a great night for British textiles.

The non-existent psychological approach limits Daniel Webb to tearing a passion to tatters – which he does with a force unexpected after so long spent playing spivs and rat finks. Elsewhere there may be fussiness, misfired humour, perverse distractions; but as a theatrical vision the production's authority is unassailable.

Martin Hoyle

LCDT

SADLER'S WELLS

We must inevitably look at London Contemporary Dance Theatre with especial interest in this initial season under Dan Wagoner, its new artistic director. But any changes the appointment may portend were hardly apparent in the first programme of the company's London visit. Apart from a light-weight creation from Wagoner, the mixture was very much as before.

The central figure of Tuesday evening was Darshan Singh Bhuller as dancer and choreographer. He appeared as the soloist in Robert Cohan's *Metamorphoses*, a brilliant conceit (seen earlier this year) in which Bhuller divests himself of street clothes while an oboeist, the excellent Joseph Sanders, plays Britten's Ovid Metamorphoses, and projections of photographs by Anthony Crickmay comment upon the dance action. The layers of clothing are like layers of a personality. Bhuller's dancing is superbly fast, strong, expressive. Crickmay's photographs of him, as always with this most perceptive artist, hold movement and character marvellously imprisoned. *Metamorphoses* should be filmed for posterity.

Nothing in the rest of the evening could rival the clarity of vision or physical precision of this piece. Bhuller's own *Interlock* is a duet we saw last year, with Paul Liburd and Ann West entwined and forced into Pilobolus-style intimacies by the sound of a sitar. Jonathan Lunn's new *Doppelganger* (set to quartet movements by Philip Glass) found Bhuller being haunted and guided by Aletta Collins as a not very probable alter ego. Both wore nasty costumes and seemed anxious. I don't blame them.

At the centre of the programme was Bhuller's latest piece, *Ace of Spades*. Its theme is the brutalities of the Vietnam War, and the traumas subsequently felt by American servicemen. Its realisation is angry, vehement, and cast in a language of acrobatic ferocity. But I do not think that the dance stage in the late 1980s is the place to rehearse these old guilts and old wrongs. Bhuller's own raw emotions are doubtless worthy, but any comment at this distance of time and space must inevitably seem glib when cast in those absolute blacks and whites which are to be deplored in any poster art that features the world's sores. The staging is imaginative – smoke from burning villages; troops in battle fatigues (but barefoot, which makes an odd contrast) – and the LCDT men are tremendous in angry energy and neurotic distress.

Dan Wagoner's first creation for his company is *Turtles All the Way Down*, whose fatally quaint title is all too revelatory of what we are to see. Three girls, four men, wear unbecoming brown breeches and bodices, with bare midriffs. They indulge in many a quip and crank and wreathed smile as Aaron Copland's piano quartet goes its way, impermeable (so it seems) to dance. Mr Wagoner haunts the proceedings, Merce Cunningham fashion – flickering gesture; careful walk – dressed in Western gear. The piece appeared gentle, predictably larky and, to me, wholly inexplicable.

Clement Crisp

BOOK REVIEW

Understanding opera

Henry Pleasants, an American music critic and writer settled in London, is the author of a valuable chronicle for which other opera writers should be grateful, *The Great Singers*. Now, with his latest book *Opera in Crisis* (Thames and Hudson, 128 pages, £11.95), readers of this page puzzled by untranslatable musical terms like appoggiatura, cabaletta or spinto, may now share that gratitude. The chapter on the appoggiature – an often unwritten ornament long out of favour but now rehabilitated – is the clearest I have read.

There is good sense too about high notes, specified or not by the composer but expected by the general public. "Yes, Signor Tamberlik may come in," said Rossini, "but ask him to be good enough to leave his C sharp in the hall with his coat." Those not gifted with the mixed blessing of absolute pitch may be surprised to find how often, since concert pitch has risen during the last hundred years or so, sopranos and tenors (with the approval of conductors) resort to downward transposition.

The essays which give the book its title refer not to the usual spectre of looming bankruptcy but to the activities of producers and the post-war lack of new operas which have caught on with the larger public. As for "producentis," Pleasants recalls a succession of horrendous-sounding examples without making much attempt to discover reasons for the epidemic. And it is prejudiced, to say the least of it, to condemn modern opera so sweepingly without mentioning *Peter Grimes* or its successors. If second-brew verismo-type melody is what is wanted, what about Walton's *Troilus and Cressida*?

It is surprising to find, coming from a critic of such long and varied operatic experience, hoary criticism of Wagner for "sheer boredom" and "barren patches" – as if Wagner was no more than juicy popular numbers or episodes separated by "empty wastes"!

At the end of the war, as an intelligence officer with the US Army, Pleasants had the luck to be sent to Vienna. It was his job as well as his pleasure to concern himself with the re-establishment of the temporarily homeless State Opera. This was the fortunate period when surviving and still happily vocal veterans overlapped with a rising generation bursting with talent to form a combination of ensemble opera and stars for which later intendants in Vienna and elsewhere have sighed in vain. There is an admiring chapter of about the wealth of singers, mainly German and Italian, and conductors at the Metropolitan in New York in the 1880s.

Is the nostalgia justified? On vocal grounds, yes. But doubts arise over questions of staging. The fact that the *Ring* productions were "as close as possible to carbon copies of those of Bayreuth" may or may not have been an advantage. Statistics about singers don't quite make up for absence of information about the state of the operatic art at that time as a whole.

Ronald Crichton

SALEROOM

Something to sing about

The autograph manuscript of Schumann's first, indeed only completed, piano concerto sold for £880,000 at Sotheby's yesterday to Rosenthal, the Oxford dealer. The price, a record for a single musical manuscript at auction, was within Sotheby's target.

Schumann began the concerto in 1841, writing it for his new wife, the pianist Clara, whose amendments appear on the manuscript. The price is a very high one, but the unique character of the document justified the saleroom's confidence. All told the auction of musical manuscripts did exceptionally well, totalling £2.2m, with less than 5 per cent unsold.

The autograph manuscript of one of Bach's major cantata's "Auf Christi Himmelfahrt allein," was comfortably above target at £429,000. A "lost" Schubert manuscript for the Magnificat in C Major made £148,000 and a Japanese dealer paid £88,000 for an autograph sketchleaf by Beethoven of the Choral symphony.

Two paintings which Burne-Jones completed for the Church of St John the Apostle in Torquay a century ago sold for £770,000 and £682,000 at Sotheby's in London on Tuesday night. The church sold them to fund urgent repair work and the sum raised exceeded expectations threefold. Sotheby's has arranged for copies to be painted in their place. The higher price, paid for "Nativity," was a record for the artist.

All told the auction of 19th century art brought in £4.4m, but with over 27 per cent unsold. The failures were concentrated on the continental section and the biggest setback was a panorama of the Boulevard St Denis by Béraud, unsold at £380,000.

The Japanese are showing more interest in this sector, and "The loving cup" by Rossetti, a small watercolour, went there for £165,000, way above estimate. A larger version is already in Tokyo's National Gallery of Western Art. British art did well, with new records of £143,000 paid for "In memoriam," a commemoration of the Cawnpore massacre of 1857 by Payton, and the same sum paid for "The Crown of Glory" by Evelyn de Morgan. The Getty Museum sold five works for £312,400.

At Sotheby's yesterday a picture of bulls on a beach by the Spanish 19th century artist Joaquin Sorolla sold for £825,000, a record for the artist. All told the auction of Spanish art brought in £3m.

The Gold Medal that Dame Peggy Ashcroft received in 1926 from the Central School was sold for £396 at Phillips yesterday to Theatre Despatch. The money goes to help save the Rose Theatre.

Antony Thorncroft

ARTS GUIDE

November 17-23

EXHIBITIONS

London

The Royal Academy. The Art of Photography 1839-1989: a celebration of the 150th anniversary of the first practical demonstrations of the medium. Daily until December 23.

Paris

Musée des Arts Decoratifs. Je suis le Cahier - Picasso's sketchbooks. After two years of meandering the world over, the exhibition ends, aptly, in Paris. The 40 sketchbooks covering a period of 64 years follow closely Picasso's development. 107 Rue de Rivoli (42603214), closed Tue. Ends December 31.

The Louvre. Arabesques et Jardins de Paradis. The beauty and richness of nature is a leitmotiv which runs through Islamic art from Spain to India, from the 8th to the 18th century. Closed Tue, ends Jan 15 (40205317).

The Louvre and the Chateau de Versailles. David. A retrospective consisting of 84 paintings and 165 drawings is held simultaneously in the Louvre and in the Chateau de Versailles. It retraces the artistic development of the founder of neo-classicism who, cutting free from rococo's frivolities, preaches the Roman republic's rigorous virtues in The Oath of the Horatii and in The Lictors returning to Brutus the bodies of his sons. A radical revolutionary and friend of Robespierre, he immortalises the assassination of Marat in his bath, while organising the Revolutions self-glorifying festivities. With the advent of Napoleon he becomes the Emperor's premier *peintre* and celebrates him in a romantic equestrian portrait crossing the Alps and in the vast Coronation, the replica of which, together with the unfinished Tennis Court Oath and the Presentation of the Eagles to the Imperial Army is in Versailles. Louvre closed Tue, Chateau de Versailles closed Mon, both exhibitions end Feb 12.

Galerie d'Art Saint Honore. Lucretia. Setting off the white androse-coloured body against a deep black background, Lucas Cranach the elder dares to paint at the beginning of the 16th century in Luther's town a disturbingly beautiful Lucretia. There is a wistful yet sensuous expression on her face, a lighter-than-air white veil emphasises her total nudity and a gold chain rises and falls with the contours of her breasts. 267, rue Saint Honoré (42601503). Closed Sat, Sun and lunchtimes. Ends Dec 16.

Brussels

Europalia Japan 89: Musées Royaux d'Art et d'Histoire. Nambam Art explores the Portuguese influence on Japanese painting and the Splendour of No Theatre shows props and costumes from the Rokuro Umewaka Collection. Closed Mon. Ends Dec 17.

Musée d'Ixelles. Shunga – Images du Printemps. Erotic Japanese etchings. Ends Dec 3. Closed Mon.

Musée d'art Moderne Place Royale. Takeo Yamaguchi and Yoshishige Saito, abstract art in Japan. Closed Monday, ends Dec 17.

Antwerp

Museum of Modern Art (Muhka) 32 Leuvenstraat. New tools - New images: art and technology in Japan today with installations by Tatsuo Miyajima, Tsuneo Nakai. Closed Monday, ends Dec 3.

Bessenhuis. 53 Falconrui. Japanese posters by 12 graphic designers. Closed Monday ends Dec 17.

Madrid

Fundacion Juan March. Retrospective of Edward Hopper opens the autumn season at the foundation. 61 works by the New York realist covering a period of 56 years. Until Jan 4.

Barcelona

Caixa de Barcelona. Raoul Dufy. Works by the French fauvist, well known for his lively use of colour and interest in varied forms of art, are on show in Spain for the first time. The exhibit includes paintings, watercolours, drawings, ceramics and fabric design, belonging to private collections and museums. Ends 15 Dec.

Hanover

Sprengel Museum, Kurt-Schwitters-Platz. Der blaue Reiter (The Blue Horse). this museum is displaying around 61 pieces from its own collections as well as some additional paintings on loan from East Germany and by other artists who belonged to the same Munich-based group. Works by Wassily Kandinsky, Franz Marc, August Macke, Alexej von Jawlensky, Gabriele Münter and Marianne von Werefkin can be viewed until Feb 11.

Munich

Städtische Galerie im Lenbachhaus. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff to date with almost 370 works from 70 private and public collections. After the Kirchner and Heckel exhibitions, this is the third significant project from one of the founding members of the Brücke group. Schmidt-Rottluff, who died in Berlin in 1976, was strongly attacked during the Nazi years.

Vienna

Museum for Applied Arts is hosting a large exhibition devoted to the works of Carlo Scarpa, the Italian artist and architect. The theme is focusing on "The Other city". Until Jan 15.

Museum for History. An exhibition of paintings by Arnulf Rainer, deemed to be one of Austria's most successful post-war artists, and who recently had an exhibition in New York. Ends Jan 28.

Rome

Spanish Academy. Salvador Dali: Sculptor and Painter. Supreme genius, or merely "Avidadollars", as his unkind Catalan nickname implies? This exhibition convinces one that genius becertainly was but that his inventive and sophisticated talent became irretrievably warped from the 1970s on, when he became cruel and tiresome in his desire to shock. Ends Dec 3.

New York

Metropolitan Museum. A decade of fabulous shows borrowed from around the world culminates in the present exhibit of the major works of Velazquez, much of which is borrowed from the Prado in Madrid. Ends Jan 7.

National Academy of Design. More than 160 objects from the Fitzwilliam Museum in Cambridge are making their way round America, giving a sampling of objects and paintings, among them works by Titian, Peter Paul Rubens and Renoir, under the theme of the increase of learning and other great objects. Ends Jan 28.

Metropolitan Museum of Art. A major exhibit of the works of Canaletto brings alive scenes of Italy in its secular glory. Though many are familiar, the exhibit makes the artist's vision a breathtaking panorama with touching attention to detail. Ends Jan 21.

Centre for International Contemporary Arts. A new New York institution with the goal of cataloguing curatorial information about artists around the world opens appropriately with a retrospective of Japanese artist Yayoi Kusama. 57th & Fifth Av.

Washington

Hirshhorn Museum. The first retrospective in America in a quarter century celebrates Francis Bacon's 80th birthday with a comprehensive review of his prolific career. The three-city US tour begins here with 60 works, a surprisingly large number of which are highlights of contemporary art. Ends Dec 7.

National Gallery. A major international collaboration showing the major works of Frans Hals outside the Netherlands for the first time starts here with more than 60 paintings; next year it travels to the Royal Academy in London and the Frans Hals museum in Holland. Ends Dec 3.

Tokyo

Teien Museum, Meguro. Yasuo Kuniyoshi. Retrospective to mark the centenary of a Japanese artist who emigrated to the US as a teenager. His earlier work is glum and faux-naif, but in his last decade his palette was liberated and he produced a remarkable series of grotesque images of clowns and carnivals.

Seibu Museum of Art. Vienna in the 1900s. The former Seibu Museum has moved to a new site in Minami Ikebukuro and opens with a major exhibition focusing on Klimt, Schiele and other artists of the Vienna Secession. Closed Thursdays.

National Museum. Art of the Muromachi Period (1334-1537). Major exhibition featuring some 400 works from the period when the shoguns had consolidated their power, bringing a period of relative peace and prosperity with a resultant flowering of the arts, much of it influenced by Zen Buddhism, such as ink painting, garden design and the tea ceremony. Closed Mondays.

National Museum of Modern Art. A Perspective on Contemporary Art: Colour and/or Monochrome. Paintings, prints and sculpture by 21 younger artists from Japan and elsewhere, selected to illustrate the use or absence of colour. Closed Mondays.

FINANCIAL TIMES

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US budget agreement

THE BUDGET agreement reached two days ago between congressional leaders and the White House is of almost no economic significance. A $14bn reduction in the deficit for the present fiscal year represents only ¼ per cent of American gross national product. Where the agreement does matter is politically. It reveals the capacity to reach agreement.

Why might the fiscal deficit matter? One possible reason – the threat of an explosion in the burden of federal debt – *can be discarded. If nominal* GNP were to rise by 6 per cent or more and the federal deficit were not to exceed the gloomy forecasts of $130bn (about $35bn more than the Office of Management and Budget forecast on the basis of which the agreement between the congressional leadership and the White House has been reached), the ratio of federal debt to GNP would remain stable.

More relevant, therefore, are the effects on savings, investment and the external balance. The US has a low rate of national savings, to which the fiscal deficit continues to make a strongly negative contribution. If elimination of the federal deficit were to have no offsetting effects on savings and investment in the private sector, its disappearance would also remove the current account deficit. In the last fiscal year, for example, the federal deficit was $152bn, considerably larger than the current account deficit, which was running at an annual rate of $120bn.

Protectionist stimulus

One argument for eliminating the current account deficit is that the accumulation of external debt would stop. But at around 10 per cent of GNP, even on official measures, US external debt is still not particularly high. The more powerful reason for eliminating the deficit is the stimulus it has given to protectionism.

Even if one were to accept this pragmatic case for eliminating the external deficit, UK experience has demonstrated that the relationship between fiscal and external deficits should not be oversimplified. While a change in the American fiscal deficit would probably alter the current account deficit in the same direction, it would not do so by the same absolute amount. Moreover, the current account deficit has already fallen from 3.3 per cent of GNP in 1986 to 2.2 per cent *in the first half of 1989 and* might fall unexpectedly fast in 1990 if the widely forecast recession materialises.

In short, there is some room for doubt about the significance of the fiscal deficit; there is also reason to question whether its elimination would have the desired effects. What is not open to doubt, however, is that an economically worthwhile change would be of the order of 1 per cent to 2 per cent of GNP, or $50bn-$100bn.

Nickels and dimes

Why then should grown up Congressmen, not to mention the President, concern themselves with nickels and dimes? The justification is that it is better to meet a fiscal target through conscious decision rather than sequestration. Unfortunately, it is not much better. The agreement is only over a forecast, one that few dispassionate observers believe will be met. Yet there are no penalties for failure. In addition, the agreement has been reached with smoke and mirrors. About a third of the cuts is due to sequestration itself; *another third consists of additional* revenue, much of it "borrowed" from next year; and the final third consists of cuts in spending, a portion of which is owed to clever fiddles.

All this is simply to avoid raising taxes. President Bush has shown a more obstinate attachment to President Reagan's principles than ever President Reagan did. With both a recession and an election year coming up, the chance to make a serious fiscal change is now past, which means that, barring a miracle in arms control, the US is likely to run a substantial fiscal deficit for the indefinite future. Fortunately, this may not matter too much. Yet the sad truth remains that the budgetary process of the world's most powerful country has been aimed at achieving trivial changes, through a dishonest process, in order to evade a President's unwise commitment.

Broader courses for sixth forms

IN THE UK education world, nearly everybody pays lip-service to the need for a "broad and balanced" curriculum for 16-to-18-year-olds. Yesterday, Mrs Angela Rumbold, the Education Minister, reiterated the Government's commitment to these goals. She argued that Advanced Supplementary (AS) examinations introduced in 1987 would enable students to achieve breadth and depth in their studies. AS level exams are intended to be as demanding as the more traditional Advanced level exams (A levels), but to take only half as long to complete. Mrs Rumbold's expectation is that students will increasingly opt to take two A and two AS levels, rather than the customary three A levels.

AS exams offer a welcome extra degree of flexibility, but it would be unwise to regard them as a panacea. One of the big drawbacks of A levels – which date from the 1950s – is that they were designed to cater only for the brightest 20 per cent of pupils. In previous decades it was taken for granted that the bulk of children would abandon academic study at the age of 16. A new academic exam for 16-to-18-year-olds might have been expected to cater for a larger proportion of the age group. But the Government has ruled out this possibility by stipulating that AS levels be pitched at the same level of difficulty as A levels. At best, therefore, they can offer a broader education only for a small proportion of 16-to-18-year-olds.

Stepping stone

It is questionable, however, whether they will achieve much even for this privileged group. A report by Her Majesty's Inspectorate published yesterday shows that many schools and colleges are making poor use of the new exam. It is seen by many as a stepping stone to an A level in the same subject or as a simultaneous safeguard for weaker A level candidates. In the schools surveyed, only about 30 per cent of pupils were taking AS levels in subjects that contrasted with their A level choices. In the great majority of cases, AS levels were chosen to complement A level choices: thus a budding scientist might add AS maths to A levels in physics, chemistry and biology. So far, therefore, AS levels have had little impact on premature specialisation.

Schools have not yet had much time to adjust to the new exam. But even if the majority eventually shifted to a norm of two A and two AS levels, with at least one of the AS exams in a contrasting subject, the sixth form curriculum would still be far from ideal. In most competitor countries, 16-to-18-year-olds are required to study at least six or seven disciplines. More important, core subjects such as maths, sciences and languages usually remain compulsory.

Compulsory subjects

One way forward would be to regard AS levels *as a replacement* for A levels. If the standard university entrance qualification became six AS levels instead of three A levels, a really significant increase in breadth might be achieved. If AS levels in maths, English and science were compulsory requirements, then England might begin to achieve the kind of balance taken for granted abroad and already achieved to some extent in Scotland. Such requirements would look very similar to those of the International Baccalaureate, which specifies six subjects, including maths, English, science, a foreign language and a social science.

Breadth and balance are crucial, but a sixth form curriculum also has to cater for more than the top 20 per cent of the ability range. One of the merits of the new curriculum for 5-to-16-year-olds *is that many different* levels of attainment are specified. A similar procedure could be adopted for 16-to-18-year-olds. It makes little sense to say that somebody who does not quite meet the criteria for an AS level should gain no credit even though they have progressed well beyond the standard of the GCSE exam taken at 16. The other main requirement is to develop a set of vocational options which non-academic students could pursue alongside studies in core subjects such as maths and English. What is badly needed, as Mrs Rumbold herself acknowledged yesterday, is a bit of lateral thinking.

ECONOMIC VIEWPOINT

The true external position

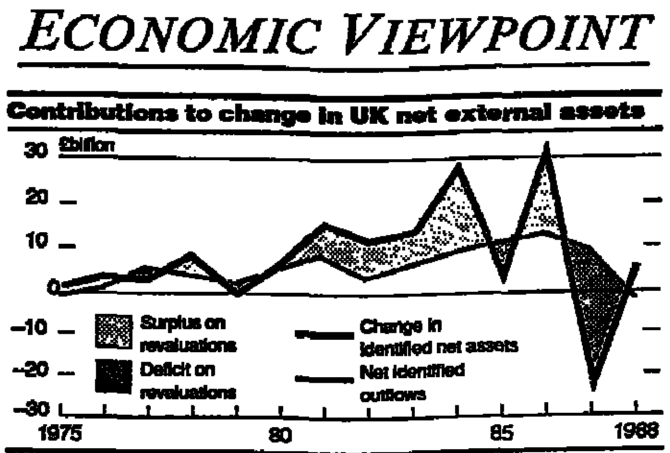
By Samuel Brittan

There is nothing more futile than trying to guess the UK trade figures the day before. It is more profitable to look at a different way of analysing the overseas position, which will remain valid whatever the October trade figures say. The alternative is to look at the UK's whole external balance sheet, with the aid of new information in the Bank of England November Bulletin.

The Bank's estimates are important when we reflect on the true ultimate cost of red ink in the balance of payments. *This is that surpluses on goods* and services have to be earned eventually to service accumulated overseas debt. That cost may still be worth paying, however, if the yield on additional investment financed by overseas borrowing is sufficient to cover the servicing.

In fact the UK's overseas assets at present far outweigh its overseas debts. Net overseas assets have been on a pronounced upward trend, rising from around £12bn at the end of 1979 to a record of over £113bn in 1986. After falling to £90bn in 1987 they recovered to around £100bn by mid-1989.

Contributions to change in UK net external assets



Net external assets

End year	Average 1980-83	1988
US		
$billion	107	-544
Percent of GNP	4	-11
Percent of exports*	39	-126
Japan		
$billion	20	291
Percent of GNP	2	10
Percent of exports*	11	76
W.Germany		
$billion	26	199
Percent of GNP	4	17
Percent of exports*	12	52
UK		
$billion	55	162
Percent of GNP	12	19
Percent of exports*	44	83

* including services. Source: Bank of England Bulletin, November 1989

The change in a country's overseas balance sheet in any given year is the result of two separate items. First there is the net outflow or inflow of overseas investment. This would, if the figures were correctly known, correspond to *the current balance of* payments surplus or deficit. A surplus tends to boost the net external position, and a deficit to diminish it. But to this must be added or subtracted a second item: the effect of revaluations of existing overseas assets and liabilities, which *can often dwarf the inflows* and outflows from the balance of payments.

Part of the trend rise in the the UK's net overseas assets over the decade reflects the current account surpluses of the oil-rich years and refutes the myth that the North Sea *bonanza was wasted. But it* also reflects revaluations, both of recent investments financed by oil surpluses and of investments made earlier.

The effects of revaluations have been positive in nearly all recent years, with the big exception of 1987, which was *due, not to the Wall Street* crash, but to the plunge in the dollar's exchange rate which reduced the value of dollar denominated assets.

The recovery up to the middle of 1989 reflects, in part, the recovery of the dollar against sterling. Even, however, if the computation is made in dollars, UK net overseas assets have remained stable in the last few years at just over $160bn. Britain is thus in a different league from the US, which has an estimated net debit position of over $500bn.

The British external position compares well too with the German one. Measured as a percentage of both gross national product and exports Britain's assets were actually larger. On the same basis British net overseas assets were also larger than Japanese ones, even though in absolute terms Japan led the world with overseas assets just short of $300bn.

There are at least two possible sources of error in the Bank of England estimates. The first concerns our old friend the "balancing item," or black hole in the balance of payments. As already indicated, in years when there is a net capital outflow, that outflow should equal the current account surplus; and when *there is a capital inflow* that inflow should correspond to the current account deficit (that is to say that the inflow finances the deficit).

But because of gaps in the figures, the two approaches do not match. In 1988 a capital inflow (that is an accumulation of overseas debt) of £2.3bn was recorded – the first such inflow since 1976. But this was much less than the recorded current deficit of £14.6m.

So far there is no sign of Britain's strong external balance sheet deteriorating

Balance of payments statisticians make the pessimistic assumption that the current deficit is correctly recorded and that the balancing item consists of capital inflows. The compilers of the overseas balance sheet on the other hand make the more optimistic assumption that the recorded capital flows are the correct ones. As a result, they may understate capital inflows (that is UK borrowing) in bad years, and overstate outflows (that is UK investment)in good years. On extreme assumptions the UK external balance sheet at the end of last year would have been overstated by £50bn.

There is, however, a more certain offsetting error of understatement. Direct investment is – in contrast to the portfolio variety – normally entered at book value. This leads to a very large undervaluation. For a combination of successful enterprise and straightforward inflation will lead to a large surplus on book value for most business assets.

We are not talking about trivial amounts. UK direct overseas investment is estimated at over £100bn gross and £40bn net. Some American economists argue that US investments abroad are undervalued far more than foreign investment in the US. They believe that the large overall net debit position shown for the US in the official estimates is much overstated and may even be wholly fictitious. Taking the two sources of error together, in the British case, the Bank estimates may be about right.

Some analysts scoff at the estimates of external assets, because most of the financial and the physical assets involved are held by the private sector and not available to the Government. But that equally applies to the current balance of payments, which reflects private sector borrowing for which the UK Government is not liable.

It is, of course, easy to imagine even a strong net overseas asset position, such as that of the UK, running off quickly, as has happened in the US in the course of the 1980s. So far there is no sign of this happening in Britain's case. Indeed during the period of very high recorded current account deficits, since the beginning of 1988, net overseas assets have risen in sterling and remained stable in dollars.

Revaluation effects are of course too erratic and jerky to rely upon year-to-year. But in the last decade they have averaged £4bn to £5bn per annum, and in the seven years before the 1987 shock they averaged over £7bn. So the brief answer to Professor Wynne Godley (Letters to the editor, November 21) is that even in his own terms, the needed turnround on the recorded current account is neither as large nor as urgent as he supposes.

But these are not terms that should be accepted. For although the external balance sheet approach is less crudely misleading than the obsession with the monthly trade figures, I am still playing the devil's advocate in using even this. For net external assets are only about 5 per cent of national wealth. If we have to have some policy objective to prevent the country consuming the seed corn, or going on a spending spree at the expense of the future, the best one to look at would be national wealth, which would take into account the domestic capital stock, as well as overseas assets and liabilities. (Meade* and his followers now regard an annual investment objective as the best practical approximation to this goal).

But even the wealth or investment objective is, in my view, going too far. First it concentrates on the quantity rather than the quality of capital formation (a comparison which favours the 1970s at the expense of the 1980s). Secondly, and more fundamentally, there is not the slightest evidence that governments are better able to make a guess of the optimum balance between present and future gratification than their own citizens.

It would be best for governments to concentrate on maintaining a rough balance in their own budgets over the economic cycle and on stabilising the value of the currency. They would find out in the course of carrying out these two basic duties the prudential limits to external borrowing better than by any kind of statistical parade ground exercise.

**Macroeconomic Policy: Inflation, Wealth and the Exchange Rate: M. Weale etc. Unwin Hyman £50.*

BOOK REVIEW

Hunger and utopian ideas

HUNGRY FARMERS: World food needs and Europe's response
By Clive Robinson
Christian Aid £4.95

The very fact that people are dying of hunger and malnutrition when there is plenty of food in the world is, depending on your vantage point, one of the conundrums or great scandals of international politics today. The world's soils, skills and financial resources have already produced enough to feed everyone and the imminent biotech*nology revolution will more* than keep up with population growth over the next generation. Yet in all probability there will still be famine. Why?

Christian Aid – the aid arm of the British Council of Churches which is very involved in developing countries – *commissioned* Clive Robinson to find out. As Lord Plumb, former President of the European Parliament, notes in a foreword, the result is 100 well-researched, concise pages of analysis of a most complex subject. Hunger is an emotive issue and the vagaries of the rich world's farm policies are an easy target. Above all, Robinson does not fall into the trap of assuming that the blame for today's situation can be laid solely on rich countries.

The problem of hunger arises, he says, not because there is insufficient food, but because those who go hungry are too poor either to grow enough food or to buy it. One reason, virtually insurmountable on its own, is geography: famines most often occur in semi-desert lands. As people move to escape these regions, untenable pressure is put on areas where enough food might be grown for fewer people.

Another reason, however, is that the governments of developing countries, rather than protect their farmers as the industrialised world does, mostly tax them heavily. This is hardly surprising when wealth is farm-based, but it is another twist to the spiral which encourages bigger farmers at the expense of the poor.

Yet another problem has been developing countries' attempts to encourage industrialisation to widen their sources of wealth. This has encouraged a drift from the land and the creation of the landless poor.

All these problems are well enough known, as is the contribution of the rich world to Third World poverty. On the one hand, protectionist farm policies have created surpluses for export, depressing the prices of the farm exports of those developing countries which compete, while making available cheap imports to the countries which would otherwise have relied on growing their own food.

On the other hand, rich countries' aid policies, like those of the colonial powers before them, have gone for big cash crop projects, again to the disbenefit of the very small farmer.

The net result of all these policies is that some of the bigger or better educated Third World farmers have got richer – like those able to profit from India's *Green Revolution* – while most have been trapped in a cycle of poverty without the physical or financial resources to escape.

Clive Robinson does not draw the parallel, but in some ways this development is strikingly similar to what has happened in the European Community over the last 25 years. Though smaller farmers there do not, of course, go hungry, it is reckoned that 80 per cent of the vast sums spent on farm support in the EC have gone to bigger farmers and to traders, rather than to the small farmer.

So what is to be done? Christian Aid, like the Brundtland Commission on Development in 1986, believes that the "answer" lies principally in so altering the terms of trade and government policies as to actively benefit the small farmer. Simply increasing the available food, even if it is grown within the developing country, is not enough. Critically, aid, trade and credit policies must all be designed with the small farmer in mind.

That sounds fine – but then read the list of reforms Christian Aid believes are necessary for those beneficial policies to be put in place. They range from "land reform to redistribute resources to the powerless and to women" through more "credit" for the poor and improved transport and infrastructure, to a reordering of the world's farm policies (not necessarily by freeing world trade but by putting more quotas on rich world production to improve the competitiveness of Third World produce); as well as aid policies which favour the very small farmer.

The measures are all virtuous and would, if implemented, presumably ameliorate the situation. The trouble is that most of them have no hope of being practically achieved. They have been on the agenda for a generation, and hunger remains.

That does not of course mean that the rich world should not try to fashion its policies positively to assist the Third World; and it certainly does not mean that developing countries should not put their own houses in order with the fate of their poorer citizens foremost in mind. But if Christian Aid's analysis does anything, it is to ram home yet again that very depressing lesson that there are no easy answers or quick solutions to the problems of hunger.

Bridget Bloom

OBSERVER

Banking on the Ecu

■ Despite all the excitement this year about economic and monetary union in Europe, the Ecu or European Currency Unit has tended to slip from the headlines in recent months.

This could now change. The Association for the Monetary Union of Europe, a pressure group set up at the suggestion of the former West German Chancellor Helmut Schmidt and ex-President Valéry Giscard d'Estaing of France, is taking steps to put this embryo European currency back at the centre of discussion.

The association has just commissioned Ernst & Young to develop "a strategy and action plan" to promote the Ecu. As a first step, it will be polling around 350 major companies throughout Europe to see how they could better use the currency unit.

There will also be a macro-economic study, organised by Britain's National Institute of Economic and Social Research, to investigate the obstacles to the use of the Ecu throughout the Community.

The initiative has been inspired by the discovery that 86 per cent of European business leaders want a joint European currency, but are inhibited from using the Ecu *through lack of knowledge* about it. The idea is to prove its "critical mass". First results of the study should be available by March.

Save Lockets

■ Here's a nice question. If you acquired a restaurant with a famous name and considerable traditions, would you change the name?

Simon Parker Bowles has bought Lockets from Trusthouse Forte for £550,000. *Because it is close to Westminster* and there is not much competition in the area, Lockets has been the home of political intrigue and debate over the ages – for Tory Labour MPs alike, Barbara Castle as much as Sir Geoffrey Howe.

THF picked it up *last year* as part of its acquisition of Kennedy Brookes. Rocco Forte, the THF chief executive, offered the restaurant to Parker Bowles last month.

Lockets is now closed for refurbishment and will re-open in the spring. It will then be *known as Green's after* Parker Boles's Restaurant and Oyster Bar in St James's. A mistake, one would have thought, and perhaps an odd political signal for a place so near to Westminster.

Real meat

■ Ambassador Jay Hee Oh of South Korea is at pains to correct some of the myths about dog-eating in his country ahead of the visit of his President to Britain next week.

"They are not the sort of dogs you keep as pets," he told British journalists yesterday. "Your dogs are all hair and no meat – nothing to eat. Ours are dogs kept and bred as you breed cattle for beef." The Koreans are also pointing out that, unlike the French, they do not eat horses. As for *cat-eating: "That is only for* medicinal purposes," said Ambassador Oh.

Wits and twits

■ The Spectator/Highland Park Parliamentarian of the Year Awards have become part of the political calendar: rarely can so many Cabinet ministers, Shadow ministers and back-benchers attend the same lunch, and each year there is a small surprise.

This year it was Nigel Lawson, who was given a special award for the speech of the year for his brief remarks in the House of Commons after

"What if Anthony Meyer should win outright?"

he had resigned as Chancellor of the Exchequer. Lawson, a former editor of the Spectator, said that he hoped that the award would become permanent, but that someone would find an easier way of winning it than he had done.

The award for Wit of the Year went to Neil Hamilton, the Tory MP for Tatton. He said that when he was told about it, he thought that it was twit of the year, which *he would have preferred* because there was so much more competition. Then he said that he realised the twits' competition was coming in the next few weeks when it will be seen who, if anyone, challenges Mrs Thatcher for the Tory leadership. Very loyal.

Hamilton concluded: "Parliament is full of shining wits, as Dr Spooner would have said."

Algy Cluff, the chairman of the Spectator, told a business story. A company chair*man was sick and wondering* whether he could return to his post. A message came: "The board has passed a vote of full confidence in you." It added: "You might like to know the voting figures: six in favour, five against and four abstentions."

Midland scores

■ A most distinguished gatherings of bankers was held in Tokyo this week to honour an unassuming 73-year-old Englishman called John Trotter.

For more than 20 years Trotter was the man in charge of training at Midland Bank until his retirement in 1977. In the early 1950s, he had the inspired idea of developing a course in London for young bankers from Midland's overseas correspondent banks. Among those who were sent to Trotter each year for lessons in international banking were groups of five or six Japanese.

Midland this year decided to mark the success of the course with a party for Trotter and for Japanese graduates of his course. Nearly 100 came, among them Kaneo Nakamura, president of the Industrial Bank of Japan who attended the course in 1957, and Toru Kusukawa, deputy president of Fuji Bank, a graduate of 1953.

For many alumni the party was their first meeting in 10 or 20 years. They sought each other out on class photographs, which Midland had brought from London for the occasion. Trotter, who had never been to Japan before, said the trip "fulfilled a lifetime's ambition".

Meanwhile, Midland continues to reap the rewards of Trotter's work – the bank estimates that it handles 60 per cent of sterling deposits of Japanese banks in London, more than the other three clearing banks combined.

Armless fun

■ Sign over a china figure of a nude girl with both arms broken off: "The infant Venus de Milo."

Chris Sherwell examines the problems besetting the Labor government

A palpable loss of touch

For the first time in almost seven years, Australians are seriously contemplating the possibility that Prime Minister Bob Hawke and his Labor party government will lose power at the next general election, due within six months.

The prospect arises for three reasons: a stark deterioration in the economy, a stream of expedient "quick fix" decisions, and a growing contrast between a lacklustre government and an opposition belatedly pulling itself together.

In previous re-election battles in 1984 and 1987, Labor benefited considerably from disunity in the Liberal and National coalition and from voters' willingness to give its own strategy a chance. Now, as he looks for a record fourth term, Mr Hawke can count on neither.

Indeed, public confidence generally is at a low ebb. All the old questions about the country's chronic problems persist – and the answers have not changed. Australians continue to live beyond their means and no political party will confront them with hard choices.

This is not to deny Labor's achievements since 1983. Mr Hawke and his chief ministers – especially Mr Paul Keating, the Treasurer – have wrought a revolution in attitudes on the single most important issue of economic management. Using their corporatist consensus with business and unions, they have acted to deregulate and restructure Australia's economy while still creating jobs.

Sustained world growth has helped, of course, but not the relentless boom and bust of the world commodity cycle. Whereas a sharp fall in commodity prices galvanised Labor into its bold reforms of 1984-87, the subsequent surge has detonated an explosion of spending on imported consumer and capital goods.

This trend – reinforced by Mr Keating's fatal weakening of monetary policy in 1987 – has completely undermined Labor's attempts to lower the country's chronic current account deficit. It is now above 5 per cent of gross domestic product and rising. Stabilisation of Australia's net foreign debt, already third largest outside the US at $83bn, is ruled out before 1993-94.

To contain demand, Labor has gone into reverse, relying heavily on tighter monetary policy. Borrowing rates for small businessmen have risen to 22 per cent and for home buyers to a record 17 per cent.

The squeeze, coupled with some reckless bank lending and highly dubious business practices, has brought an embarrassing series of corporate casualties – not just Bond, Hooker, Qintex and other discredited names, but whole sectors like property and commercial television. The loss of self-esteem is becoming palpable. The damage to the reputation of Australian business is enormous. Investment bankers say Australian corporate names are now in bad odour abroad, while some executives of blue-chip companies are calling for tighter corporate regulation, stronger vigilance and greater disclosure.

The high interest rate regime has also driven the Australian dollar to artificial levels, hurting exporters and raising expectations of a sudden fall. The inflation rate meanwhile remains obstinately above 8 per cent. Mr Keating may be hoping for a "soft landing" rather than a recession, but there is no doubt about Australia's vulnerability to a drop in commodity prices.

On top of this, Labor's much-vaunted "micro-economic reform" – the key to Australia's long-term adaptability – has stalled. Progress has been woeful in critical areas like transport (especially coastal shipping and the docks), and privatisation (where the sale of Qantas, Australian Airlines, the Commonwealth Bank and other entities has been stymied by Labor's rank-and-file).

The same is true of labour reform, where action is desperately needed to improve Australia's international competitiveness. Labor's heralded accord with the trade unions, a feature distinguishing the Hawke government from its opponents, may have restrained wages growth, but it has failed to improve productivity sufficiently, as lightning strikes and inefficient work practices still vividly demonstrate.

This is slowly changing with the belated introduction of productivity bargaining, but the union movement remains extraordinarily powerful, and Australian management – having long ceded responsibility for employees' wages and conditions – is showing itself too weak to re-assert its authority.

In tax reform, Labor has gone a long way by introducing a capital gains tax and a comprehensive dividend imputation scheme which, by removing double taxation of dividends for shareholders, promotes share ownership and companies' payments of their corporate taxes. But income tax rates remain far too high, and neither party is offering to reverse the tax system's bias in favour of borrowing and against savings through a consumption tax and other measures.

Amid all this, Labor is inexplicably frittering away its other assets as well. Mr Hawke, instead of continuing to act as a popular chairman of the board guided by a team of radical economic ministers, has recently asserted his authority and slipped into error through some extraordinary decisions.

Australian Prime Minister Bob Hawke

Most publicly, he has allowed the domestic pilots' pay dispute to disrupt domestic flights in this vast continent for nearly four months. The cost of this dispute to the economy, and especially to tourism, has been incalculable.

Mr Hawke has also miscalculated in his pitch for the environmental vote. As the economic outlook has darkened, Australia's "Green" movement has loomed ever larger in his electoral calculations. To win its vote he has launched an environment policy, begun campaigning to make the Antarctic a wilderness reserve and deferred a major mining development near the Kakadu national park.

Coming after the earlier rejection of a A$1bn pulp and paper mill in Tasmania, this decision prompted all the country's major business groups jointly to accuse the government publicly of political expediency. BHP, Australia's largest company, was directly affected by the Kakadu decision, and Sir Arvi Parbo, who chairs both BHP and Western Mining, one of Australia's largest gold mining companies, said point-blank that he no longer trusted the government. For a business community already harbouring doubts about the Accord and the surging external debt, this was a parting of the ways.

Even more serious, the Prime Minister has provoked a deep rift with the economic ministers in Cabinet. Mr Hawke's decision to side with Senator Graham Richardson, architect of the "Green" strategy, has upset several ministers. Coming on top of his continuing tensions with the ambitious Mr Keating, the Cabinet's sense of coherence has all but vanished.

This stream of "quick fix" decisions by exhausted if not unmotivated ministers may well come to be seen as a turning point in Labor's fortunes if it loses the next election. So too might the opposition leadership changes, in which the Liberal party has reappointed Mr Andrew Peacock (who lost to Mr Hawke in 1984) in place of Mr John Howard (who lost in 1987), and the National party put Mr Charles Blunt in place of Mr Ian Sinclair.

These simultaneous moves initially backfired as the new opposition team struggled to establish itself as an alternative government. But last month the coalition unveiled its long-awaited tax and spending policies pitched directly at middle-income families, and which have been generally well-received. These offer improved benefits and reduced taxes for middle income families with children and penalise groups like the long-term unemployed. They also replace Labor's capital gains tax with a five-year sliding-scale speculative gains tax.

Mr John Elliott, head of the Elders IXL brewing group and president of the Liberal party, has said the plans will "take from the bludgers and give to the workers." Labor has bitterly criticised the proposals, and especially the capital gains tax plans, saying they would help people like Mr Elliott. But their attacks, directed by Mr Keating, have had limited impact.

With the help of Mr Howard, who recently decided to rejoin the shadow Cabinet, the opposition is finally distinguishing itself from Labor in terms of fiscal policy, industrial relations, privatisation and other issues. As a result the stage is set for a no-holds-barred fight for the electoral middle ground, hitherto so cleverly held by Labor.

Pointers will come later this week when the Labor state government of South Australia goes to the polls seeking a fourth term, and early next month when Labor fights to dislodge the corruption-tainted National party government in Queensland after some 32 years in power.

But the real fight will obviously come in the more closely-watched national arena. Here Labor's majority is vulnerable to a small electoral swing, and to the growing discontent among ordinary working people who see too few gains after years of government spending cuts and wage restraint. Surely, they say, the outlook was supposed to be improving after three Labor terms, rather than deteriorating.

Yet it remains too early to write Mr Hawke off. Even now, despite the government's difficulties, Labor and the opposition are running neck-and-neck in the polls, while in the personal popularity stakes the unconvincing Mr Peacock is lagging behind Mr Hawke. The next six months will plainly be crucial.

According to the cynics, if people vote Labor out, it will be because they want a change, not because they believe the opposition can do any better. The pessimists believe Australia is sliding into Third World status whoever is in power. The immediate reality is simpler: Labor has achieved much in seven years, but its modernising of Australia has gone neither far enough nor fast enough.

LOMBARD

Pulling down the frontiers

By Edward Mortimer

"IT IS A MATTER of plain common sense that we cannot totally abolish frontier controls if we are also to protect our citizens from crime and stop the movement of drugs, of terrorists, and of illegal immigrants. That was underlined graphically only three weeks ago, when one brave German customs officer, doing his duty on the frontier between Holland and Germany, struck a major blow against the terrorists of the IRA."

So said Mrs Thatcher in her Bruges speech in September 1988. If her object was to persuade West Germany and the Netherlands to keep that customs officer in place, she has failed. Last week those two countries along with three others – France, Belgium and Luxembourg – agreed on a treaty abolishing all controls on people crossing their common frontiers. It is to be signed on December 15 at Schengen, the same village in Luxembourg where the five states committed themselves to achieve this four years ago.

Strictly as a customs officer, the gentleman would not be affected by the treaty, which concerns only the movement of people. He will still have the job of checking the movement of goods for fiscal purposes, under European Community regulations, until 1992. But the treaty should stop him from exercising the police function which earned him Mrs Thatcher's praise.

Those five countries will thus at last have fulfilled the vision which inspired many of those who struggled to bring about a united Europe in the years after the Second World War. To do so they have had to convince their own police forces that there are other ways of achieving their objectives – mainly by strengthening co-operation between them – and that the political aim of abolishing frontier controls should take priority.

Random checks at frontiers are in any case a rather clumsy instrument for catching terrorists, drug-peddlers and other criminals: a good police force should have more efficient ways of finding them. Immigration is a more serious problem so long as the countries concerned have different rules about it, or different methods of finding out who is resident on their territory. The five Schengen countries have finally decided they have confidence in each other's procedures, as applied at their "external" frontiers.

But they have all along emphasised that their aim is not to create an exclusive inner zone within the EC. Rather it is to provide a blueprint for ending border controls throughout the Community. It will be said that such problems are easier to solve for a relatively compact group of five countries, with long experience of working together, than for the 12 with their widely different national traditions and sensitivities, and their external frontier cutting across other international arrangements such as the Nordic passport union. Britain and Ireland will claim special status as islands whose coasts are both internal and external frontiers. Yet it will be a manifest absurdity if the benefits of the Channel Tunnel are negated by subjecting all who use it to lengthy controls.

Many of the difficulties facing a wider union did also confront the Schengen Five. The Netherlands have a much more permissive tradition than France or Germany on matters such as soft drugs, and a strong antipathy to the idea of identity cards; the idea of German police pursuing a French suspect on to French territory raised quite a few qualms in France; and it should not be forgotten that the external frontier of "Schengenland" includes the inner-German border and the Berlin Wall.

It is all the more remarkable that last week's agreement was reached under German chairmanship in the very days when all Germans were celebrating the destruction of the Wall. So far from losing interest in west European integration, the Germans insisted on completing the agreement and made significant concessions to achieve it. If a communist government could pull down the Wall, they argued, it was high time that free citizens could travel freely among the democratic countries of western Europe.

LETTERS

Government should spend more on training

From Mr John Philpott.

Sir, John Gapper (November 21) is right to stress the need for ever greater spending on vocational training if the skills of the UK workforce are to be raised further towards European levels.

Employers, as the Training Agency funding study demonstrates, are now investing more heavily in training – to the tune of £18bn a year. But it remains true that the UK is having to run faster simply to match improvement elsewhere. It is important, therefore, that the Government accepts its proper share of responsibility.

The case for government intervention is well known; general vocational training embodies the characteristics of a classic "public goods" and tends to be underprovided by the market. The requirement of government is thus to spend more on training, and/or devise appropriate incentives to raise private expenditure. The UK Government should do both.

First, it should reverse the short-sighted plans for reduced public spending on training (outlined in the Autumn Statement), in particular by doubling expenditure per place on Employment Training.

Second, it should establish and contribute to a central training fund, from which would be allocated annual training "rebates" to employers who raise expenditure on training above a registered norm, and into which would be paid a training "tax" by those who spend below the norm. The norm would not be externally imposed, but would be the proportion of an employer's wage bill (net of pure wage costs) averaged over the previous three years, and subject to periodic independent review.

An incentives mechanism of this kind would avoid many of the problems often associated with levy/grant systems. "Carrots" would be more in evidence than "sticks;" there being no sense in which every employer, large or small, would automatically be required to pay the "tax."

Moreover, it would be possible to integrate performance incentives for the new Training and Enterprise Councils by instituting "TEC training awards" at a level determined by the excess of training expenditures over the average norm for their locality. Awards would be additional to other Government funding to TECs, and encourage them to persevere with training laggards or employers tempted to reduce their training budget.

As economic growth falters in 1990, such intervention would help prevent a repeat of the disastrous cutbacks in training that took place during the recession of 1979-81. I hope that discussion of penalties and incentives in environmental policy – to overcome similar problems of market failure – will influence those concerned with training policy.

John Philpott,
Employment Institute,
Southbank House,
Black Prince Road, SE1

Crédit where credit is due

From Mr Roger Pilcher.

Sir, A request to my UK clearing bank to open a personal account at one of its network of branches in France was met, some two weeks later, with a set of forms (all in French) to complete, and a request for a non-interest earning deposit of FFr 10,000 (about £1,000) before the account could be opened.

A request for further details about operating the account in France was met, two weeks later, by the response that the bank needed the deposit to cover quarterly charges of some FFr 600 (about £60), and that as its cheques were cashable only in its own branches, it might be better if I applied to a French bank for facilities.

I took the advice, and telephoned Crédit Agricole.

The following morning I received by first class post a comprehensive brochure, in perfect English, describing the bank's services; application forms in English, and a request for an opening payment of £50 to establish the account. The rest took two weeks – and was completed by a letter of welcome from Crédit Agricole's regional general manager.

Roger Pilcher,
Russetts, Rookes Lane,
Potterne, Devizes, Wiltshire

Short of glory

From Mr Michael Cole.

Sir, The chairman of Harrods bought Harold Abrahams' awards to keep the collection intact and in the UK. Mr Al Fayed financed the film *Chariots of Fire*, when no one in Britain was prepared to put a penny into it, because he considered the story of Abrahams' triumph over racial prejudice and social snobbery to be as inspiring as that of Eric Liddell's courageous refusal to compromise his religious principles for sporting glory.

Mr Al Fayed considered that both men embodied the best qualities of the British character and to suggest that he confused their identities, as does Observer ("Wrong man," November 22), is as ungracious as it is untrue.

The only confusion seems to be at the Financial Times. On page 25 your saleroom correspondent, Antony Thorncroft, writes of "Mohammed El-Fayed." Turn to page 26 and Observer writes of "Mohamed Fayed." His name is Mohamed Al Fayed.

Try a little harder to succeed and you too will deserve a gold medal.

Michael Cole,
Media Director,
House of Fraser Holdings,
14 South Street, W1

Companies' rights of defence

From Mr Romano Subiotto.

Sir, Mr A.H. Hermann's article ("No right of silence for companies," November 2), reports the European Court as having stated in the Hoechst appeal that human or fundamental rights need to be respected only when dealing with individuals, and do not apply to companies.

I have found no such broad statement in the case.

The court does hold that the right to an inviolable domicile is part of European Community law only to the extent that it concerns the private dwelling of individuals as opposed to the commercial premises of companies. The court justifies this distinction by noting that the protection of an individual's private dwelling is a principle common to the laws of the EC member states.

The same cannot be said of the protection of commercial premises, because the laws of the member states are significantly different in regard to the nature and degree of protection of commercial premises from investigations by public authorities.

In its consideration of fundamental rights, the European Court states that the laws of all EC member states recognise that any interference by the authorities in the private activities of individuals or companies must have a legal basis and must be justified on the grounds provided by the law. Such interference cannot be arbitrary or disproportionate.

The court also considers the alleged violation of Hoechst's right of defence – a right which is, of course, available to companies – in light of the European Commission's exercise of its powers of investigation. It states that rights of defence must be respected in administrative proceedings which may lead to sanctions.

It is also necessary to ensure that these rights are not jeopardised in the context of preliminary investigations. It specifies in particular the need to respect the right to legal representation, and the right to confidentiality of correspondence between a lawyer and the client.

Romano Subiotto,
131 rue des Confédérés,
Brussels,
Belgium

Rich is cleaner

From Mr J. Rowden.

"Conservation begins here" (November 9) seems to support the idea that the way to save the world from environmental disaster is to create a no-growth economy, with emphasis away from technology, and restrictions on private cars.

The results of a policy not dissimilar can be seen in Eastern Europe. True, the cities do not suffer traffic congestion. But they are the most polluted in Europe. Most East German cars have such poor emission standards that they cannot be imported into the EC.

Only healthy economic growth can provide the wealth needed to promote environmental improvement.

J. Rowden,
15 Conyers Close, Grange Park,
Swindon, Wiltshire

PRIVATISATION SHARE PRICE SET AT £2.40

UK water sale to cost companies £62m

By Clare Pearson

THE cost to the 10 water companies of England and Wales of floating their shares on the stock market next month is expected to total some £62m ($96.7m), a figure more than three times greater than any previous privatisation issue.

The costs are disclosed in the offer prospectus published formally yesterday as Mr Michael Howard, the Minister for Water, confirmed a 240p common share price and other details of the £5.24bn issue.

These included a slightly higher than expected proportion of shares to be offered overseas. Indications were that foreign demand for the shares will be strong, particularly from the Far East.

Costs of the flotation have risen as a the host of professional advisers has been brought into play to bring the 10 companies to market in separate but simultaneous flotations. Early indications yesterday were that the complex project would prove a success. Guesses in the City of London were that the shares may achieve a 20p premium to the 100p first instalment price when dealings start on December 12.

J. Henry Schroder Wagg, the merchant bank advising the Government, said yesterday that the underwriting had been completed smoothly.

The dividend yield on the shares announced yesterday was a shade higher than the City had been expecting. On average, shares in the companies, which will pay different dividends although they share a common issue price, will provide a weighted average gross yield of 8.55 per cent at flotation. This is calculated on the basis of profit and dividend forecasts for the current year made on the pro-forma basis, as if flotation had already taken place.

Some 2.18bn shares, or 100 per cent of the companies, are being sold. Of these, 23.55 per cent is initially been made available to the general public, 55 per cent is being allocated to institutions and a slightly higher than expected maximum proportion of up to 18.5 per cent to overseas investors, with the rest earmarked for employees.

But in the event of very heavy demand clawback arrangements from overseas and institutional investors, to allow a maximum of 46.9 per cent to be made available to the public.

The costs of flotation to the 10 companies shown in the prospectus comprise the industry's share of all advice, marketing, printing and other expenses, including those in the future, which are directly related to the offer. They compare with an expense to British Gas of £18m for its similarly-sized £5.4bn flotation in 1986.

Andrew Hill writes: The direct cost to the Government cannot yet be calculated. However, the prospectus shows it is paying underwriting fees for the privatisation of £44.8m.

The figure is lower than for the British Gas flotation – from which underwriters netted £60m – because the Government has shaved privatisation commission rates since 1986 and reduced the proportion of such issues which is underwritten.

Background, Page 9

Farm trade code agreed by Cairns nations

By Peter Ungphakorn in Chiang Mai, Thailand

MINISTERS from the Cairns Group of agricultural exporting nations yesterday agreed on a compromise proposal for farm trade liberalisation that allows developing countries special rights to protect their farmers from foreign competition.

The proposal would allow all countries some room to seek food security and maintain farm support policies within a liberalised agricultural trading system.

Delegates from some of the group's 14 members described the plan as more flexible and realistic than the US proposal submitted last month in Geneva to the negotiating group on agriculture in the Uruguay round of General Agreement on Tariffs and Trade talks.

The flexibility is not entirely the result of the Cairns Group's desire to continue mediating between the US and the European Community. Internal differences within the group have forced a compromise.

Canada's desire to maintain support for its dairy industry, Brazil's insistence on special treatment for developing countries, and Indonesia's food security policy all had to be encompassed.

The proposal, to be officially released this morning and submitted in Geneva next week, sets a target for reform in all areas of 10 years or less. The US has proposed the elimination of export subsidies in five years.

The group's proposal seeks a freeze and subsequent phase-out of export subsidies; "substantial progressive reductions in those (domestic support) policies which most distort agricultural trade"; binding reductions in import tariffs to "low levels or zero"; the use of tariffs instead of import quotas; and an end to the abuse of sanitary regulations as a pretext for protectionism.

The proposal would also allow special treatment for developing countries provided they are committed to agricultural reform and prepared to participate in Gatt's free trade rules.

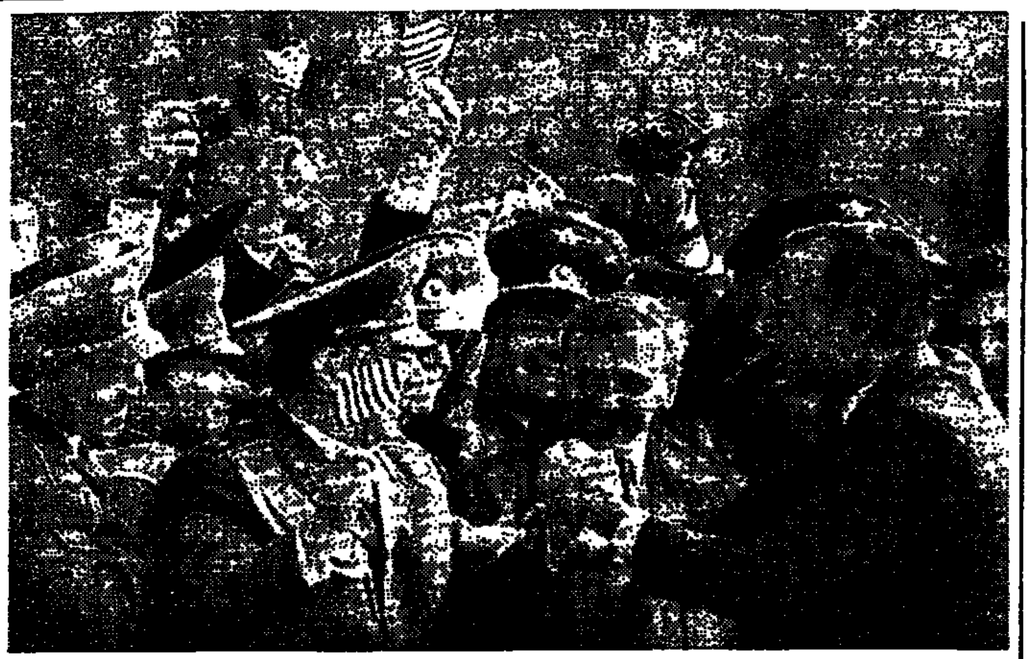
It would allow all countries to safeguard their interests in providing disaster relief, grant food aid, direct income support for farmers, and investment in infrastructure.

It seeks tighter discipline in the use of import duties to countervail export subsidies, and calls for measures to take account of the interests of food importing nations.

A number of options are offered to countries on agricultural reform. The proposal's objectives include preventing increased protectionism and reducing general agricultural tariff levels to those charged on industrial products.

The Cairns Group comprises Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand and Uruguay.

Japanese dig in, Page 7; Australia's political problems, Page 17



President Bush greets the Red Army Chorus on the South Lawn of the White House

Bush may cut overseas forces

Continued from Page 1

desire for changes in Eastern Europe," he said.

The President paid tribute to Mr Gorbachev for "igniting the fire" which had created the clamour for reform in Poland, Hungary and lately East Germany and Czechoslovakia. He also confirmed that the Soviets were reducing spending on conventional forces but he said no one could be certain where the changes would lead next.

Asked how he saw the Nato Alliance in 10 years, the President replied: "Listen, I can't see 10 days out, and I don't think you can. How can I predict what the conditions are going to be?"

He also stressed that the upheaval in Eastern Europe would not weaken US interest in Asia or Latin America. At the recent hemispheric summit in Costa Rica, he revealed that President Carlos Andres Perez of Venezuela had questioned him on this point. "I said, absolutely not. Absolutely not."

Mr Bush said the unpredictable nature and the degree of Soviet tolerance of the changes was one reason why he sought a meeting with Mr Gorbachev this year, rather than waiting for the arms control summit in late spring or early summer next year.

Leaning forward in his chair, Mr Bush said: "I want to be sure we don't have any misunderstandings – Mr Gorbachev conducting himself in one way and our not understanding the underpinnings of his thinking."

The setting for next week's meeting with Mr Gorbachev on board US and Soviet warships off Malta in the Mediterranean excites Mr Bush. "I am very anxious to hear from him what his thoughts are on the future of Europe," he said, "and I'll have a chance to.. . give him my conception, my ideas for the future."

Malta will be no Yalta, according to Mr Bush. He said the US has no intention of "dealing cards" or doing anything which might resemble the Stalin-Roosevelt-Churchill meeting in 1944 which redrew the map of Europe.

On German reunification, Mr Bush acknowledged Soviet and other European worries but he repeated that it was a matter for the German people to decide: "If that determination is made, there will all kinds of representations (from other parties). . . but this has no reason to threaten anybody or change borders."

At the same time, Mr Bush – a practical man who apologises every time he uses the word "philosophy" – held out the prospect of a world of reduced East-West tensions, "where a lot of us can have more of our product going into helping people instead of into arms."

Yet a world without US-Soviet confrontation needed to be on "our values," said Mr Bush, citing freedom of religion, freedom of the press, self-determination, free elections. "It's going to be on what we in the US think is best. . . know is best."

EC outlines plan for railway of the future

By Tim Dickson in Brussels

THE FIRST tentative moves to challenge the European Community's national railway monopolies were announced in Strasbourg yesterday by Mr Karel van Miert, the EC Transport Commissioner.

Mr van Miert, unveiling proposals to make railway companies more "transparent" and prepare the way for free market rail operators, said the approaching single European market provided new opportunities for the "20th century's public service Cinderella."

The Commission's "communication" to member states outlines the vision of an EC rail network where the track and infrastructure remains firmly in public hands, but where existing and newly-created companies would be able to offer freight and passenger services across national frontiers.

The initiative has been *inspired by the feeling* in Brussels that railway transport has missed out to its road and air rivals in recent decades, that the spare capacity in the rail network can be better exploited, and that the encouragement of a rail alternative is in tune with the EC's environmental priorities.

The communication envisages a clear distinction between the businesses which own the railway and those which provide transport services. Even where a national rail monopoly performs both functions, the EC proposal would require the assets and annual accounts to be clearly split.

The idea behind this, according to a Commission official last night, "is to prevent cross subsidies and to distinguish the regulated activities from free market activities".

Lebanon bomb kills President

Continued from Page 1

authority is not recognised outside the Christian enclave.

Earlier this month, President Moawad, a 64-year-old Maronite Christian lawyer from the northern town of Zghorta, was elected by a majority of Lebanese parliamentarians at a disused air force base at Qlaiaat, near the Syrian border.

During his brief term he repeatedly called for reconciliation and appealed to Gen Aoun, the Christian leader who rejected his election and the Taif peace agreement which preceeded it, to join him in rebuilding the country.

The assassination threw Arab leaders and diplomats into despair.

"It's a tragedy. Whenever we take one step forward, we take five steps back," said an ambassador to the Arab League closely involved in the peace initiative.

The US was quick to condemn the killing, terming it a "despicable act of terrorism against a man of peace."

France expressed its horror and "shock of the French Government in the face of this horrible assassination".

Ministers to debate easing of CoCom technology controls

By William Dawkins in Paris

A WIDE-RANGING report, calling for an end to many of the curbs on technology sales to communist countries set by CoCom, the Co-ordinating Committee for Multilateral Export Controls, will be debated next month at a meeting of European defence and foreign ministers.

CoCom's controls appear to be "a relic of the Cold War" and need a complete review "to encourage maximum opportunities for trade," especially in telecommunications, electronics, machine tools and chemicals, says the study.

The report has been unanimously accepted by a committee of the Western European Union (WEU), the defence and security organisation which groups nine member states of the European Community Twelve – minus Ireland, Greece and Denmark.

If adopted by the WEU ministerial meeting in Paris early next month, the report will increase European pressure on a cautious US to reduce CoCom's controls in the light of the extraordinary reforms in East Germany, Hungary, Poland and the Soviet Union. It follows agreement by a meeting of EC foreign ministers at last weekend's Paris summit that high technology export curbs need easing.

CoCom is failing to keep within its strict duties of stopping exports of militarily useful technology, a task at which it is in any case inefficient, claims the report. Unnecessary technology trade curbs hamper Western efforts to help Eastern European economies catch up, with the consequent risks to their own internal security and that of Europe as a whole, it warns.

Most of CoCom's members – the Nato countries, minus Iceland but including Japan and Australia, agree that its list of restricted industrial technology with possible military use is "too extensive and inaccurate", says the study.

The study adds that the approximately 100 goods and their components on the lists include technology which has no real defence use or which the Soviet Union can easily buy from non-CoCom countries.

Purely civil industries in any case have a much bigger role in producing leading-edge technology today than was the case during the Cold War, argues the report, written by Mr David Atkinson, a UK Tory MP, on the basis of meetings with senior US, European and Soviet officials.

It calls for a commonly agreed and regularly revised assessment of the state of Soviet military technology, as the basis for revised CoCom controls.

The report suggests that the talks of the CSCE (Conference for Security and Co-operation in Europe) due in Bonn next spring would be a good starting point for a reform of CoCom.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	16	61	Dubrovnik	C	16	61	Malta	S	22	72	Rhodes	F	19	66
Algiers	F	24	75	Edinburgh	S	6	43	Manchester	F	7	45	Rio de J'o	C	34	93
Amsterdam	S	8	46	Faro	C	17	63	Manila	C	28	82	Rome	R	16	61
Athens	S	16	64	Florence	R	14	57	Melbourne	S	31	88	Salzburg	F	13	55
Bahrain	S	25	77	Frankfurt	C	5	41	Mexico City	F	25	77	San Francisco	C	11	52
Bangkok	F	31	88	Funchal	C	21	70	Miami	S	16	61	Seoul	S	12	54
Barcelona	F	18	64	Geneva	C	8	46	Milan	R	9	48	Singapore	R	29	84
Beirut		–	–	Gibraltar	R	15	59	Montreal	S	-12	10	Stockholm	Sn	-1	30
Belfast	S	7	45	Glasgow	F	6	43	Moscow	Sn	-5	23	Strasbourg	C	9	48
Belgrade	C	18	64	Guernsey	C	10	50	Munich	C	13	55	Sydney	S	25	77
Berlin	C	1	34	Helsinki	Sn	-2	28	Nairobi	C	23	73	Taipei	F	25	77
Biarritz	C	15	59	H. Kong	C	23	73	Naples	C	18	64	Tangier	C	18	64
Bombay	S	33	91	Innsbruck	C	9	48	Nassau	F	28	82	Tel Aviv	S	23	73
Bordeaux	F	15	59	Inverness	C	6	43	New Delhi	S	27	81	Tenerife	F	24	75
Brussels	S	7	45	Islamabad	F	24	75	New York	S	-3	27	Tokyo	S	16	61
Budapest	C	3	37	Istanbul	S	14	57	Nice	R	14	57	Toronto	S	-12	10
B Aires	F	25	77	Jakarta	R	31	88	Nicosia	S	20	68	Tunis	F	22	72
Cairo	S	23	73	Jersey	C	10	50	Oporto	C	13	55	Valencia	F	17	63
Cape Town	S	22	72	Jo'burg	S	26	79	Oslo	S	3	37	Venice	R	8	46
Caracas	C	27	81	Lima	F	23	73	Paris	C	8	46	Vienna	Fg	1	34
Casablanca	C	19	66	Lisbon	R	12	54	Peking	S	13	55	Warsaw	Sn	0	32
Chicago	Sn	-2	28	London	S	9	48	Prague	Sn	0	32	Washington	C	-1	30
Cologne	F	6	43	Los Angeles	C	15	59	Reykjavik	C	2	36	Zurich	C	7	45
Copenhagen	F	4	39	Luxembourg	F	5	41								
Corfu	C	18	64	Madrid	F	11	52								
Dallas		–	–	Majorca	F	18	64								
Dublin	C	6	45	Malaga	R	14	57								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

East Germans nearer power-sharing

Continued from Page 1

the constitution to remove the SED's statutory monopoly on power. These talks would pave the way for the country's first free elections, which Mr Egon Krenz, the SED party leader, says will not take place before next autumn.

Fresh criticism of Mr Krenz, who succeeded Mr Erich Honecker last month, also emerged yesterday from the Liberal Democrat party, the most active of the previously semi-dormant "block parties" ruling in coalition with the Communists.

The Liberals said Mr Krenz should lose his job as head of state and be replaced by a non-Communist president as part of moves to separate the functions of party and state.

The Liberals, together with East Germany's fledgling Social Democrat Party and the opposition group Democratic Awakening, have already spoken out for "round table" reform talks. Mr Manfred Gerlach, the Liberals' chairman, told a press conference yesterday that such a dialogue was needed

Mr Krenz yesterday kept up his efforts to proclaim a fresh spirit of openness. He told industrial workers in East Berlin that the SED's special party congress next month would brook no compromise in debating the party's past mistakes.

The East German Government also acted yesterday to limit the economic damage stemming from the freeing of travel on November 9. With immediate effect, the authorities announced a ban on exports of antiques and second hand goods. These have been streaming over the border in the past fortnight.

THE LEX COLUMN

The taxpayer takes another bath

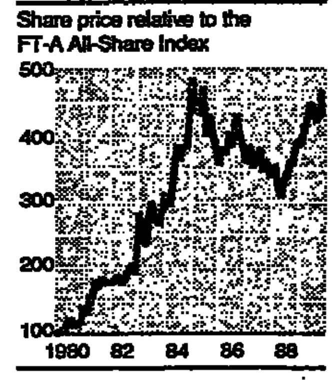
The UK Government might still like to pretend that it is not giving the UK water industry away, but it is kidding nobody. Even if the £5bn of debt it has written off is considered as equity, it has injected £1.6bn in extra cash and is getting back a paltry £5.3bn. And while this sort of funny accounting may be par for the course when it comes to selling off taxpayers' assets, the fact that a sizeable chunk of the issue has once again been earmarked for foreign investors is unsatisfactory. If this is such a good deal, surely it should be confined to the UK; even better, to the customers of the water industry who are going to have to pay the sharply higher charges.

But these knock-about political points are history, and there is no denying that the range of starting yields from Thames's 8.1 per cent to South West's 9.7 per cent are extremely generous. Among the FT-SE stocks only Standard Chartered yields more than the average 8.6 per cent, and one has to go back to Britoil and Associated British Ports to find higher starting yields. Even if the industry opens at a 10 per cent premium it will still be yielding a full point more than British Gas.

If the industry can generate long-term real dividend growth of around 5 per cent, it will be a much better bet than index-linked gilts and probably superior to the average equity. The conclusion must be that this will be too good to last. A change of Government or a rebellion among customers is likely eventually to curb any early excessive financial returns.

Hanson

Share price relative to the FT-A All-Share Index



Hanson

Hanson's sale of £650m worth of Gold Fields assets suggests to his admirers that he could be on track to repeat his coup with SCM. The sale of *ARC in the US – more a building* materials company than a true aggregates business – looks an opportunistic response to an offer of well over 20 times earnings. Once the remaining gold assets have been sold, ARC in the UK would be left as the equivalent of SCM's titanium dioxide business, producing some £150m of net earnings at a cost of little over £1bn.

The tricky bit in all this is the sale of the minority stake in Newmont, supposedly worth over £1bn on its own. The structure is difficult to unpick; and not even as astute an investor as Lord Hanson can be sure of the behaviour of the gold price at present. But supposing that can be overcome, Hanson looks like emerging almost ungeared and with gross cash of close to £6bn.

The Gold Fields deal looked like a diversion from the outset, while providing useful evidence that opportunities of the kind essential to Hanson are still around. The question remains of whether Hanson is gearing itself up for something really big. A crack at BAT, though perhaps too neat to be true, still looks seductive in its logic.

B&C

Yesterday's goings-on over B&C ended with a top management reshuffle and the group's shares down 15 per cent. It is hard to see why they should recover quickly. It is one thing for B&C to quash wild talk about the Fraud Squad; it will be much harder for investors to regain their nerve. The problem with the reshuffle is that the City might be happier if B&C were actually bringing in some new blood, to help Mr Gunn manage an orderly retreat from his more grandiose ambitions.

At bottom, though, the real issue is cash – or rather, investors' fears of over-borrowed *B&C's lack of it. Contributing* to yesterday's share price fall was a *Laing & Cruickshank forecast* of a dividend cut for the 1989 full-year. B&C looks to be on track for pre-tax profits of at most £110m; after taking out £84m owed to the Caledonia investment trust and, say, £39m tax, one can see L&C's point.

C and W

The merest whiff of stock market disappointment with Mercury's progress to date horrifies Cable and Wireless, and it is easy to see how they feel. One need only leaf through Mercury's operating statistics and see the seven-fold growth in daily call volume in 18 months. But yesterday's 11p drop in C and W's share price to 481p, after interim pre-tax profits ahead 22 per cent at £241m, signifies genuine City concerns which are unlikely to evaporate soon.

Behind the weak share price lies the fact that Mercury's £14m operating profits were at the bottom of expectations. In theory, a single half year's figures should not matter, since Mercury's business is growing geometrically, with the City expecting maybe £150m in operating profits in 1991-2. At present Mercury is paying away 45 per cent of its gross revenues to British Telecom and other networks, a percentage which should drop quickly.

More theoretically, the right way to value a huge capital project like Mercury is surely to discount its cash flows over long periods. On this basis, C and W looks distinctly undervalued. Unfortunately, this is not the way the stock market works at the moment. As Pearl has found, investors are not much impressed by futuristic cash-flow forecasting; and there are enough short-term issues, like the costs of its huge investment programme and the perennial UK regulatory uncertainties, to keep C and W's shares from outperforming.

RHM

Goldsmith's intentions apart, the big unresolved question about RHM is familiar: whether, having wrung the best from its businesses for nearly a decade, the group is grinding to a halt. In yesterday's full year figures, the best performance came from the supposedly dull bread business. In two of the three other UK divisions profits were actually down. The new idea is to push into Europe: but it is a strategy proffered with detectable embarrassment by a group which six months ago very nearly clinched a £1.3bn acquisition in Australasia.

Even if double figure growth can be repeated this year, a price of 422p – almost 12 times earnings – looks a touch high on fundamentals. If the market seriously expects a bid, it could be deceiving itself. It is not clear how much break-up premium could be got from the peripheral bits; and milling and baking, while cash positive, is no substitute for tobacco. If the BAT bid fails and Sir James succumbs to boredom, a full bid is possible. But it is a long shot.

INSIDE

BAT third-quarter profits rise 21%

BAT Industries, the tobacco-based conglomerate which has been under bid threat from Sir James Goldsmith's Hoylake consortium, yesterday announced a 21 per cent increase in third-quarter profits before tax to £448m, and said it was "firmly on course" to make the forecast £2bn in the full year. The rise means that BAT has made £1.23bn before tax in the first nine months of 1989, compared with £1.05bn in the similar period of 1990. Page 28

Rest time in Milan

Italian equity investors look ready for a rest. A quick succession of events last week combined to suggest that this year's rights-issue revival may be over. Cash calls have mostly been jammed into the last six months, reflecting a July-August surge on the Milan stock exchange. But lately the market has drifted to about a third of its mid-summer high, and professionals have become worried about the weight of funds being demanded from the market and weaknesses in the mutual funds industry. Page 44

Mixed view of the future

Sometime in the next few weeks, the Sydney Futures Exchange is to start a novel after-hours screen-dealing system, designed to meet demand for an extension of trading hours without increasing staffing costs. But not everybody is seeing it as a welcome breakthrough. Some futures specialists regard it as the thin edge of the wedge; the first step in an inevitable progression that will see the end of traditional open-outcry trading and the introduction of all-day screen-based trading. Page 24

Farmers attack salvation army

The salvation of US agriculture. This is how the Bush Administration views proposals for liberalising agricultural trade it has just put to the General Agreement on Tariffs and Trade. *However, hard-pressed US farmers — having just come through a decade of deep recession and drought — see things differently.* Many of them have concluded that wrenching change will be the likely outcome of government plans. Nancy Dunne reports. Page 32

Swiss braced for upheaval

By the middle of the next decade total occupational pension assets could reach 90 per cent of Switzerland's GNP, the highest ratio of any industrialised country. And there is hardly any aspect of the Swiss financial markets that will not be affected by this rapid growth in institutional money. William Dullforce looks at the findings of an analysis of the anticipated future investment practices of the country's largest pension funds and life insurance companies. Page 24

Market Statistics

Companies in this section

Chief price changes yesterday

NEW YORK ($)				**Falls**		
Rises				C.S.E.E.	266	- 12.4
AMR	65¾	+ 1⅞		Matsubishi Ind	229	- 7.2
Chevron	63⅞	+ ⅞		SCOA	493	- 21
Hilton Hotels	94⅞	+ 5		**TOKYO (Yen)**		
Holiday Corp	72⅜	+ 2⅜		**Rises**		
Texas Instr.	35⅛	+ 4⅛		Asahi Denko	1330	+ 160
Falls				Jeco	1140	+ 130
BancTexas Fin	8⅞	- 1⅞		Matsuzakaya	9330	+ 310
PARIS (FFr)				Yurakai Real Est	1560	+ 130
Rises				**Falls**		
Comp Des Eaux	224	+ 8.3		Intl Precision	2060	- 190
De Dietrich	2250	+ 104.5		Shoei Machine	1150	- 90
Gale Lafayette	1331	+ 84.5				

New York prices at 12.30pm. Frankfurt closed.

LONDON (Pence)				Stand Chart	525	+ 12
Rises				Utd Biscuits	354	+ 5
BAA	357	+ 8		Williams	236	+ 13
BTR	422	+ 9		**Falls**		
Bowater	140	+ 7		Boots	254	- 6
Claybithe	171	+ 7		Brit & Comm	92	- 15
Hanson	221½	+ 5		Cable & Wrls	481	- 10
Kingfisher	277	+ 5		RHM	422	- 2
London Intl	233	+ 8½		Unilever	648	- 2
Lloyds Abbey	280	+ 8				
Logica	336	+ 8				
Reed Intl	410	+ 9				

French groups plan satellite interests merger

By William Dawkins in Paris

AEROSPATIALE, the French state-owned aerospace company, and Alcatel, the French group that leads the European telecommunications market, are planning to merge their satellite businesses to form the world's second largest satellite maker.

Mr Paul Quilès, the French Minister for Posts, Telecommunications and Space, has given the go-ahead for negotiations on a possible merger, expected to be concluded before the end of the year. "This is a historic opportunity which we must not let pass by," he said.

Officials envisage that Aerospatiale and Alcatel – which is privately owned – would participate equally in a company with a likely combined turnover of FFr4bn ($647m) next year and 3,600 employees, second only to Hughes of the US, which has annual sales of the equivalent of FFr7bn.

This is the latest in a series of attempts by the French state and privately-owned industries to try to win the critical size needed to compete on world markets.

It comes as Matra, the defence and electronics group, is preparing for a possible three-way link between its defence and space activities and those of GEC Marconi of the UK and Daimler-Benz's Deutsche Aerospace arm.

Officials stressed that size was not the sole aim of yesterday's move, because the satellite businesses of Aerospatiale and Alcatel were also complementary. Aerospatiale makes satellite platforms, complete satellites and optical payloads, while Alcatel specialises in communications payloads and telecommunications systems.

"This will allow it to compete with success against the big players in the market which benefit from the same vertical integration," said Mr Quilès, who added that the new group would be open to working with international partners.

It would cater for a fuller range of satellite uses than is possible for either company working alone, covering telecommunications, direct broadcasting, science and observation.

Six US producers, including Hughes, had this degree of integration, as well as three Japanese groups, said officials.

The French groups already co-operate in the Franco-German Eurosatellite consortium, which has constructed the heavy direct broadcasting satellites TDF, TV-SAT, Tele-X and Eutelsat II.

"We are transforming a case-by-case co-operation into a true long-term association of 50-50 partners," said Aerospatiale.

Cable & Wireless lifts interim profits 22%

By Hugo Dixon in London

CABLE & Wireless, the UK-based international telecommunications group, gave a bullish presentation of its future prospects while announcing a 22 per cent increase to £241m ($378m) in pre-tax profits for the half-year to the end of September.

Lord Sharp, chairman and chief executive, dismissed suggestions that the political problems in China would affect the group's extensive operations in Hong Kong, where it runs the telephone network. He also denied that there was any inconsistency in C&W continuing its high-technology joint ventures with the Chinese Government following events at Tiananmen Square.

"The human rights question is one thing; the question of expansion of trade is another," Lord Sharp said. "It would be against the geopolitical interests of the west to see China turn inwards."

Lord Sharp also dismissed the possibility that Mercury Communications, its UK subsidiary, could be adversely affected either by the current government's planned review of telecommunications policy next year or the prospect of a Labour government.

The half-year figures compared with £198m last time, and were generated on sales 56 per cent higher at £1.09bn (£699m). There was a boost of £19m from favourable currency movements, but that was counterbalanced last year by the inclusion of a £13m exceptional profit from the sale of the stake in Racal Electronics.

Mr Gordon Owen, deputy chief executive, was particularly upbeat about Mercury, which increased trading profits from £8m to £14m.

First-half earnings rose to 14.4p (13.2p) and the interim dividend is increased 10 per cent to 3.1p. Lex, Page 18

Now the little one must roll over

Kevin Done and **Peter Bruce** report on the battle for Enasa of Spain

With sleeves rolled up and muscles flexed Europe's leading truck makers have entered the final round of a gruelling trial of strength to take over Enasa, the Spanish state-owned truck maker.

At first sight Enasa, which makes Pegaso trucks and owns Seddon Atkinson, the small UK heavy truck maker, as well as a truck assembly operation in Venezuela, is an unlikely cause for such a fiercely fought contest.

Chronically loss-making for many years Enasa has long been one of the heavier burdens borne by Instituto Nacional de Industria (INI), the Spanish state holding company. Suitors were not exactly thick on the ground.

In the last 12 months all that has changed, however, as no less than four of Europe's big truck makers, Iveco, the commercial vehicles subsidiary of Fiat of Italy, Volvo of Sweden, DAF of the Netherlands, and a West German consortium of MAN and Daimler-Benz, have concluded that after all Enasa is a highly desirable property.

Few ploys have been ignored as the four have vied to win the favour of the Spanish Government. Crowned and uncrowned heads of Europe have played walk-on parts. Volvo's cause was bolstered by a visit of the Swedish King and Queen to Spain. Mr Bettino Craxi, leader of Italy's Socialists, is understood to have put in a word for Fiat with Mr Felipe Gonzalez, Spain's Socialist Prime Minister.

What the four contestants have woken up to is that Enasa is the last obvious takeover target in the European truck industry. It is the last significant chance to gain market share and expand distribution in Europe, without engaging in alliance talks or a head-on clash with a fellow heavyweight in the industry.

In 1950 there were 55 independent commercial vehicle makers in West Europe. Last year there were 11. The pressure for concentration is being driven by a series of key factors:

● Environmental pressures and the push for much tougher emissions and noise standards.

● The process of European integration. The liberalisation of road haulage is expected to lead to the emergence of a small number of big international players in the transport industry better able to bargain with the truck makers.

● Ever increasing product development costs.

● A future slow-down in the world economy.

Only a few weeks ago MAN of West Germany emerged as the surprise winner of a short fight with DAF to take over the Steyr truck operations in Austria. Now the industry's focus has moved firmly to the fate of Enasa, while behind the scenes even more dramatic developments are also under way as some of the industry leaders talk tentatively together – Volvo with Renault and Daimler-Benz with Iveco.

Enasa is the market leader in Spain, with around 32 per cent of heavy truck sales (above 15 tonnes) in a market that has been one of the fastest growing in Europe. Pegaso vehicle sales totalled 14,957 last year, or 17,105 including Seddon Atkinson. It had 5.3 per cent of the European commercial vehicle market over 9 tonnes.

A decision can come at any time with the manoeuvring now moved to the highest plane inside the Spanish Cabinet, but that has not stopped the industry lobbying, which this week has been powerfully directed towards the trades unions, with varying degrees of success.

DAF ~~good, Fiat bad.~~ Mr Jose Manuel Juzgado Feito is ticking them off. Mr Juzgado is responsible for the motor industry at the Madrid headquarters of the big communist-led union, Comisiones Obreras (CCOO), and he is in the process of receiving delegations from all four contestants.

He said yesterday that delegations from the other two competitors Volvo and the MAN/Daimler-Benz combination, were expected before the end of this week.

Already uncertainty in the market about Enasa's future has depressed sales, and huge stocks have twice forced a halt to production in the last month.

DAF's presentation, made in person last Thursday by Mr Aart van der Padt, chief executive, clearly pleased the union. "They want to complement Enasa's production," Mr Juzgado said.

A Fiat team, which visited the union on Monday, did not fare so well. Fiat has offered to build a car plant in Spain if it is awarded Enasa, but Mr Juzgado said the Italians were not very forthcoming about their plans.

The car plant idea, he said, was "gaseoso – fizzy. They have a credibility problem." Madrid has asked the four contestants to present, alongside their offers for Enasa, a separate plan to invest in something in the region of Galicia, which is still suffering serious industrial blight. DAF has said it would build a gearbox plant there, and presumably the Fiat car plant, if it were built, would go there too.

The offer of a car plant has won Fiat the strong support of the Spanish Industry Minister, Mr Claudio Aranzadi. There is an important regional election in Galicia on December 17 and the Socialist Government in Madrid wants to use the announcement of a major investment there to boost its flagging chances in the region.

Of the other two offers, West Germany's MAN/Daimler Benz combination is being strongly touted over Volvo, by both INI and Enasa's management, which argue that it is technically superior, and that INI would be able to retain a stake of 20 per cent in the new company.

Mr Aranzadi, a former head of INI, is not particularly close to his successor, Mr Jordi Mercader, however. The two men have their own different supporters in the Cabinet, which is likely to decide on the winner as soon as it is reconstituted. That could be before the end of this month.

Western Europe truck registrations over 3.50 tonnes gross vehicle weight

	1988	% share	1987	% share	% change
Mercedes-Benz	75,199	24.8	71,765	25.7	4.8
Iveco (Fiat)	63,128	20.8	55,073	19.7	14.6
Renault (RVI)	35,685	11.8	31,910	11.4	11.8
DAF	28,894	9.5	24,644	8.8	17.2
Volvo	27,885	9.2	26,677	9.6	4.5
MAN / VW	23,514	7.7	22,840	8.2	3.0
Scania	19,353	6.4	19,661	7.0	-1.6
Enasa/Pegaso	8,284	2.7	7,887	2.8	5.0
Motor Iberica (Nissan)	4,481	1.5	3,937	1.4	13.8
ERF	3,741	1.2	2,509	0.9	49.1
Seddon Atkinson*	2,241	0.7	1,759	0.6	27.4
Steyr**	1,917	0.6	1,500	0.5	27.8
Foden (Paccar)	1,504	0.5	696	0.2	116.1

* UK subsidiary of Enasa ** to be taken over by MAN from January 1 1990

Management shake-up at B&C

By Clay Harris in London

MR JOHN GUNN last night shook up his management team at British & Commonwealth Holdings after shares in the UK financial services group plummeted to a seven-year low.

After trading as low as 86p, B&C's market capitalisation was cut to £333m ($523m) after its shares ended 18p down at 92p. This is less than one-sixth the peak hit in July 1987, before Mr Gunn's hopes of creating a diversified financial services group came unstuck through a combination of high interest rates and unforeseen problems with acquisitions.

The latest slide followed a prediction by a leading analyst that the final dividend would be cut. B&C was also buffeted by rumours, which it strongly denied, that it was the subject of a Department of Trade and Industry inquiry. B&C said it had sought a Stock Exchange probe of the "malicious rumours".

Late yesterday, the group unveiled a reorganisation under which managing directors of operating companies will report direct to Mr Gunn as executive chairman. Mr Peter Goldie, chief executive, will concentrate on the group's disposal and rationalisation programme. Mr Gunn denied this meant Mr Goldie was being moved aside.

Mr Iain Burns, chief executive of the group's Abaco Investments professional services subsidiary, was named to the new position of chief operating officer and Sir Peter Thompson, chairman of NFC, adds the role of deputy chairman to his non-executive directorship at B&C.

B&C's business include the world's largest moneybroker Exco, the US investment manager Oppenheimer, the leasing group Atlantic Computers and estate agents chain Hamptons.

Earlier this month, Gartmore, its UK fund management side, became the largest B&C subsidiary to be put up for sale in an effort to reduce borrowings.

After the initial knock from the DTI rumours, B&C's share price stayed down yesterday after Mr Philip Gibbs of Laing & Cruickshank said he expected the final dividend this year to be no more than half the 5.25p per share paid for 1988.

Mr Gunn said the question would not be considered until March, but added: "We have always placed great emphasis on the dividend, and that dividend was not placed lightly."

Laing & Cruickshank yesterday also reduced its forecast of 1989 profits to £90m before tax and amortisation of goodwill, against £164.7m in 1988. On the same basis, UBS Phillips & Drew is looking for £93.4m. Lex, Page 18

Japanese to purchase Bush House

By Our Financial Staff

BUSH HOUSE, home of the BBC World Service, is to be sold for about £130m ($204m) next month to Kato Kagaku, a Japanese chemical company.

Contracts were signed earlier this month between Kato and Finishservice, a company controlled by Mr Jack Dellal who owns the building on the Aldwych in London. Completion is scheduled for December 29.

A Kato official said on Monday that the question of Bush House was at a delicate stage and the company would not be able to comment until the middle of next month.

The deal emphasises the growing diversification of Japanese property investment. First through property development companies, and latterly through financial institutions, Japanese interests have emerged as the most important influence on the price of prominent office buildings in central London.

The diversification takes place against the background of growing criticism of Japanese property purchases in the US. Last month, the agreement by Mitsubishi Estate to buy a 51 per cent stake in Rockefeller Group, the company which owns the famous Rockefeller Centre complex in New York, provoked fresh calls for controls on foreign investment in US property.

But in Tokyo questions may be raised about whether Kato Kagaku is paying too much for Bush House.

Although property values in London have jumped sharply since 1986, Mr Dellal is reported to have paid only £55m for Bush House two years ago.

Mr Dellal, who could not be contacted yesterday, has been an active property investor and trader since the 1960s. He was a senior executive of Keyser Ullmann, the secondary bank, which collapsed during the property market crash of 1974.

Last August Allied Commercial Exporters, another Dellal company, raised its stake in Hickson International, the Yorkshire chemicals group, to 13 per cent. The release of capital by the Bush House sale has invited speculation that Mr Dellal may have ambitions for Hickson that go beyond holding a minority stake as a long-term investment.

Under the terms of the Bush House deal, Kato will pay Finishservice around £97m for the building and freehold. It will also pay about £32m to Republic New York Investment of Texas for an option held by Republic since June, 1987, entitling it to buy a half share in Bush House.

The BBC's tenure of Bush House is unlikely to be affected by the change of ownership. It has a lease until the year 2005.

INTERNATIONAL COMPANIES AND FINANCE

Electrolux hit by falling demand

By Robert Taylor in Stockholm

ELECTROLUX of Sweden, the world's leading white goods manufacturer, yesterday reported a drop of around 13 per cent in its third-quarter profits as a result of falling demand for its products.

Profits after financial items fell to SKr668m ($104m) compared with SKr765m in the third quarter of 1988. Sales increased to SKr19.7bn from SKr18bn.

Mr Lennart Ribhon, vice president, said: "The company is facing a double burden at the moment. This is a combination of weakening demand for our consumer products, particularly in the British and American markets, and the restructuring of our household appliances sector with its big investments, which is now at a peak."

The company is already taking action to cut its costs through a reduction in production and manpower losses in order to bring its inventories into line with today's lower demand. In Britain Electrolux has reduced its labour force of 5,000 by 850. But Mr Ribhon maintained that the company was "not planning for any further decline in demand." He added: "It is wrong to say it is a crisis and it cannot be much worse than it is now."

The deterioration in Electrolux's performance has become most noticeable in its sales figures for household appliances during the third quarter, which rose by only 1 per cent to *SKr10.749bn from SKr10.620bn* in the same period of last year.

But the company also reported weakening sales in its outdoor product range, which it blamed mainly on the dry weather during the summer in Europe. Sales for its white goods products fell by around 10 per cent in both Britain and the United States during the third quarter.

Electrolux also reported that its profits in commercial appliances and industrial products during the third quarter were on a level with the results for the same period of 1988.

For the first nine months of this year the company said that its overall profits after financial items rose by 3 per *cent to SKr1.94bn from* SKr1.56bn. Just over half of the 18 per cent increase in sales to SKr64.056bn from SKr54.069bn was due to acquisitions, Electrolux said yesterday.

The return on equity after tax was 17 per cent of the first nine months, compared with a figure of 16 per cent for the same period of 1988.

The company said it was difficult to carry through price increases on its product range to absorb rising costs. A number of new production facilities had begun and investment projects were under way that would not produce a beneficial return until the 1990s.

Nestlé expects 15% growth in earnings

By William Dullforce in Vevey

NESTLE, the big Swiss foods group, expects a growth in net consolidated earnings "approaching" 15 per cent this year with sales increasing by the same amount but not reaching the SFr50bn ($31bn) mark, Mr Reto Domeniconi, finance director, said.

Last year the group posted a net profit of SFr2.04bn on a *SFr40.7bn* turnover and increased the dividend on its registered and bearer stock by SFr25 to SFr175 a share.

Mr Helmut Maucher, managing director, said yesterday it was too early to discuss the 1989 dividend but Nestlé's increasing presence on international stock markets would "bring us closer to what is done there."

Last year's 17 per cent dividend increase had brought the group to somewhere in the middle between standard Swiss (low dividend) practice and "what our international competitors are doing."

Mr Maucher said that results from Rowntree, the UK confectionery business which Nestlé acquired last year, had "exceeded our expectations." A considerable investment was being made in a chocolate development centre in York.

In the first 10 months of 1989 Nestlé's sales climbed by 25 per cent to SFr40.5bn. Of the increase 4 per cent was due to volume growth and 8 per cent to acquisitions, while exchange rates have been favourable.

Turnover will not reach SFr50bn this year because Nestlé is adopting international accounting standards that mean it will cut some SFr2bn in rebates and taxes from its sales figure.

Next year's turnover should exceed SFr50bn with profitability keeping pace, Mr Maucher said.

The development in Nestlé's share prices since November last year, when it shook the Swiss stock market by opening its registered stock to foreign ownership, had justified that action, Mr Domeniconi said.

Nestlé's market capitalisation had increased by 46 per cent compared with a 17 per cent growth in the general index for Swiss equities. About half the Nestlé stock and one-third of the registered shares were now held by foreigners.

Just over 5 per cent of the registered shares were held by investors domiciled in the UK and roughly the same proportion in the US. The number of American Depository Receipts, with a par value of around one-fortieth the SFr20 nominal value of the Nestlé participation certificate, had increased from 200,000 in January to 12m. With a price/earnings ratio of 12.4 (using analysts' forecasts of 1989 earnings) Nestlé's registered shares were still modestly valued compared with the average 13.1 multiple for European food companies and the 16.6 average for US companies. There was still substantial potential for appreciation in the share price.

In the first 10 months of this year Nestlé spent SFr1.6bn on acquisitions and collected SFr700m from sales of companies. The $370m it is paying RJR Nabisco for Curtiss Brands, which has an annual turnover at present of around $280m, was entirely justified, Mr Maucher said. The purchase would double Nestlé's share of the US confectionery market and give access to new distribution channels for its other chocolate products.

Nat-Ned and Amev advance sharply

By Laura Raun in Amsterdam

TWO OF The Netherlands' leading insurance companies, Nationale-Nederlanden and Amev, yesterday reported sharply higher earnings for the first nine months of 1989.

Both insurers benefited from their non-life businesses, with business in The Netherlands producing a notable profit rise. Nat-Ned, which is the biggest Dutch insurance company, and Amev, which ranks third, both predicted that earnings per share for all of 1989 would climb 15 per cent or more.

Nat-Ned said net income jumped 29 per cent in the January-September period to Fl 620m ($310m) from an adjusted Fl 482m a year earlier. Earnings per share rose a more modest 13 per cent to Fl 4.31 from Fl 3.82.

Operating profits in life insurance surged 34 per cent to Fl 287mn, boosted by acquisitions in North America. Non-life insurance reported a 13 per cent increase in operating profit. Overall, nine-month revenues climbed 18 per cent to Fl 17.2bn from Fl 14.6bn.

Amev's net profit soared 26 per cent to Fl 261m in the first nine months from Fl 207m a year earlier, fuelled by non-life lines. Earnings per share rose more slowly – 14 per cent to Fl 4.25 from Fl 3.72.

Pre-tax profits of non-life insurance businesses more than quadrupled to Fl 111m thanks to buoyant operations in The Netherlands, US, UK and Australia. But pre-tax profits in life insurance fell 2.5 per cent to Fl 176mn.

Barco to look for 'financial partners'

By Tim Dickson in Brussels

BARCO, the fast-growing Belgian electronics company, has abandoned its search for an industrial shareholder in order to find "financial partners" to provide stable backing in the next five years.

The move, disclosed in an interview this week with Mr Hugo Vandamme, the chairman, is an important strategic shift by a company whose ambitions have attracted attention in the last few months beyond its traditional Flemish heartland.

Formed as the result of a merger between two "sister" companies earlier this year, Kortrijk-based Barco had originally hoped to find an industrial company prepared to buy around 20 per cent of the 70 per cent stake owned by the GIMV, the Flemish regional investment company.

"Many electronics companies and non-electronics companies have been extremely interested," Mr Vandamme said yesterday, "but they all wanted to buy 100 per cent. We are now looking to attract a syndicate of largely financial investors who along with the GIMV will control more than 50 per cent of the shares and provide the stability we need in the next few years."

Barco was determined to "keep its roots" in Flanders and pursue an independent strategy of exploiting niche markets in its three chosen sectors: visualisation, electronic graphic systems and automation.

Growth will come via improvements in the company's existing product range, the development of new activities, and acquisitions.

In its latest move into electronic graphic systems, Barco said it was paying BFr1.7bn ($44.2m) for the privately-owned Aesthedes, a Dutch-based group which makes graphic design work stations.

Aesthedes is active in a number of markets such as the packaging industry, security printing and industrial design and anticipates sales of more than BFr600m and net income of more than BFr150m this year.

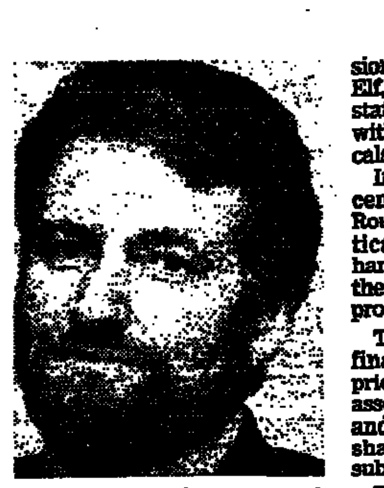
Orkem to be split between Total and Elf Aquitaine

By William Dawkins in Paris

ORKEM, the recently revived French state-owned chemicals group, is to be split up and taken over by the oil companies, Total-CFP and Elf Aquitaine, under a government restructuring plan in the final stages of agreement.

Mr Roger Fauroux, French Industry Minister, has settled the broad lines of the reorganisation with the three companies and expects to finalise the scheme shortly, at least in the next three weeks, said officials.

The deal is based on a report, handed to the Government last summer by Mr Loïk Le Floch-Prigent, shortly before becoming Elf's new president.



Loïk Le Floch-Prigent: warned sector was too fragmented

It warned that France's state-owned chemicals sector was too fragmented to have the muscle to compete on a world scale and should focus on fewer and more powerful businesses. This deal would reduce the core of the state-owned chemical sector from five companies to four.

Under the outline agreement, Total-CFP, which is 45 per cent state-owned, would receive Orkem's paints, inks and specialty chemicals divisions, accounting for one-third of Orkem's FFr22bn ($3.53bn) annual sales. These have been recently enlarged by the acquisitions of Coates, the UK industrial inks producer and Bostik, the US-owned adhesives group.

These are the fastest growing parts of Orkem, so the deal is a victory for Mr Serge Tchuruk, president, who has masterminded the group's spectacular recovery over the past three years and has already been chosen to take over at Total-CFP in early 1990.

The remaining two-thirds of Orkem's activities, its petrochemicals and fertilisers division, would be handed over to Elf, 56 per cent owned by the state, which would merge them with Atochem, its own chemicals subsidiary.

In addition, the state's 40 per cent direct shareholding in Roussel-Uclaf, the pharmaceuticals company, would be handed over to Rhône-Poulenc, the state-controlled chemicals producer.

The details in the way of final agreement include the prices to be paid for Orkem's assets, the payment of its debts and the position of minority shareholders in some of its subsidiaries, said officials.

The reshuffle is the outcome of several months of delicate negotiations between Mr Fauroux and the heads of the companies involved, *among* the most ambitious managers in the state sector.

It is the most radical reshuffle of the state-controlled chemicals industry since its last shake-up in 1983 and would lift Atochem from around 15th in the world league of chemical producers to among the top 10 and provide valuable downstream outlets for Total's own petrochemical production, chemicals analysts said.

Montedison moves on tax bill

By John Wyles in Rome

MR RAUL GARDINI has called a special meeting of his Montedison board for today to review the latest political setbacks to attempts to liberate the company from a L1,100bn ($816m) tax bill on capital gains from its participation in the Enimont chemicals joint venture.

No bulletins were issued yesterday by Ferruzzi-Montedison on Mr Gardini's state of mind, but he will at least be reflecting bitterly on the Italian Government's apparent inability to honour undertakings first given a year ago to pass legislation which would significantly lighten Montedison's tax exposure in the wake of the Enimont deal.

The necessary legislation has encountered a mixture of parliamentary disinterest, resistance and traditional inefficiency with the result it is touch and go whether it can pass both houses of the legislature by the end of the year.

If it does, Montedison's accounting is simplified by the knowledge that it faces a tax payment of L275bn over the next five years. If it does not, the company faces a further period of uncertainty until May when, in the absence of any measure, its liability would rises dramatically to L1,100bn over the same period.

Mr Gardini's decision to call the company's board together follows a vote on Tuesday in the Camera, the parliamentary lower house, to send the draft legislation back to its finance committee.

The priority attached to passing the 1990 budget will slow the committee's handling of the draft law.

Even an uncharacteristic burst of speed in the Camera's committee would leave the Senate, the upper house, hard-pressed to give its approval by the end of the year.

The liability arises from the values attached to Montedison's chemicals, fertilisers, fibres and elastomers assets when they were conferred on Enimont at the end of June.

Uncertainty over the legislation nearly prompted Mr Gardini then to pull out of the joint venture with the state-owned Enichem but he was given firm assurances by Mr Ciriaco De Mita, the then prime minister, that all would be well.

ANZ gains 43% to A$721.7m net

By Chris Sherwell in Sydney

THE AUSTRALIA and New Zealand (ANZ) banking group, the second largest of Australia's Big Four commercial banks, yesterday announced after-tax profits of A$721.7m (US$561.4m) for the year to September, up 43 per cent from A$505.4m in 1987-88.

The bank is the last of the three private sector commercial banks to report its 1988-89 results, and the figures were broadly in line with expectations. Westpac Bank and National Australia Bank reported similar sharp gains.

Mr Will Bailey, chief executive, called the performance "sound," citing strong profit growth in Australia and the international network. But he said conditions in New Zealand, and more recently in Australia, had taken their toll. The current year would see further profit growth, "although at a more modest rate."

Earnings per share were 85.1 Australian cents, up from an adjusted 71 cents, and the board announced a final fully franked dividend of 22 cents to make 44 cents for the year, up from 34.5 cents.

The result reflects an increase of A$10.7bn in group assets to A$84.5bn, and lower tax payments of A$400m against A$456m the previous year, following a reduction in the corporate tax rate to 39 per cent from 49 per cent.

It was also struck after the bank, in response to the deteriorating economic environment, sharply increased its provisions for bad and doubtful debts to A$308m, up from A$265m. A substantial proportion of the total increase arose from New Zealand lending.

Separately, the bank provided A$221m as abnormal items for loans to Third World countries rescheduling their debts. ANZ's accumulated provisions for debt rescheduling countries now stand at A$573m, a cover of approximately 60 per cent after allowing for future tax benefits.

In addition, the bank reported net extraordinary losses of A$167.7m, which included goodwill write-offs of A$222m for the purchase of the Post Office Savings Bank in New Zealand and another A$13.5m for Mercantile Credits in Australia. Property sales yielded offsetting profits of A$67m.

A breakdown of yesterday's figures showed the group's global banking business contributed A$586m of the total profit, with another A$96m coming from the Esanda and other finance company businesses.

Profits from the insurance operation fell, while the investment banking division again made a loss, of A$18.6m. The group, hurt in particular by difficult UK trading conditions, last week announced the closure of its UK equities stockbroking operation.

Geographically, A$489m of the total profit was generated in Australia, A$64m in New Zealand and A$168m in international markets.

NZ markets shaken by futures default

By Terry Hall in Wellington

THE SUDDEN default of broker Jordan Sandman Futures sent New Zealand financial markets into turmoil yesterday, forcing the Reserve Bank to intervene by offering an additional NZ$100m (US$58.8m) of government stock to try to ease liquidity pressures.

Interest rates fell sharply and the New Zealand dollar eased by as much as half a per cent against the US dollar during a hectic day's trading. The default occurred after Jordan Sandman Futures said mystery clients in London and the US failed to meet their obligations.

This caused the broker to be suspended from trading, after failing to meet "margin" payments on NZ$800m worth of government stock contracts which obliged their holders to buy or sell government stock at set prices.

Jordan Sandman Futures said they bought the contracts on behalf of international investors who were expecting New Zealand interest rates to go up. They planned to buy back more cheaply when interest rates rose, hoping that would be before the contracts matured on December 14. But over the last week interest rates fell sharply by up to half a per cent.

These sharp falls provoked the international commodities clearing house to ask investors to top up the deposits they had made on contracts. Jordan Sandman futures failed to produce the NZ$6m in cash.

Mr Colin Giffney, Jordan Sandman Were's managing director, said his group's futures subsidiary had been unable to pay because overseas clients had reneged on their side of the deal.

Mr Giffney said the suspension had no effect on Jordan Sandman Were, the share broker, as the futures company operated independently.

To cancel Jordan Sandman contracts, the futures exchange offset them against those of other trading members which had agreements to buy government stock on December 14. This sparked a rush on the money markets by investors seeking government stocks.

Losses, estimated to run into 10s of millions of dollars, are expected to be spread all around the bond futures market that operates the exchange. The clearing house could face a loss of at least NZ$4m.

The episode poses questions over the future of Jordan Sandman Were, the parent company of Jordan Sandman Futures and one of the country's biggest share brokers, following this month's purchase of Francis Allison Symes. The firm is 50 per cent owned by J.B. Were, the old established Australian broker.

It is understood that Jordan Sandman Were has decided to let its futures subsidiary fail rather than pump in an undetermined amount of capital.

Mr Giffney said the company believed that the suspension of Jordan Sandman Futures in no way affected the operations of Jordan Sandman Were.

CSR up 59%, sees A$400m for year

By Chris Sherwell in Sydney

CSR, THE Australian building products and sugar group, yesterday reported after-tax profits of A$233.7m (US$181.8m) – 59 per cent higher than the first half last year and, significantly, substantially higher than the 1987-88 full-year profits of A$185m reported only 18 months ago.

The buoyant performance prompted CSR to forecast a profit of "at least A$400m" for the full year.

Trading revenues in the first half of the current year surged to A$2.3bn from A$1.7bn, or 35 per cent.

Earnings per share climbed to 32.8 Australian cents, against 22.4 cents previously, and the company declared a fully franked interim dividend of 16 cents, up from 14 cents.

It added that it expected to pay a final dividend "of the order of 24 cents."

A breakdown of the figures showed that building and construction materials, with a profit contribution of A$115.9m, made the biggest jump in profit (from A$68.1m) and reaffirmed its position as CSR's principal earnings generator.

The strong performance reflected firm demand in Australia and the US, and the contributions of Rinker and such Australian acquisitions as the Sellars, Humes Concrete and Monier PGH bricks businesses.

The sugar division contributed profits of A$53.7m, against A$42.7m previously, thanks mainly to milling and refining operations.

Higher sales and prices helped the aluminium contribution improve to A$27.3m from A$23.7m and the timber business advanced to A$23.5m from A$17.7m.

CSR said that during the six months it sold its last remaining coal investment (a 10 per cent holding in Newcastle Coal Shippers) and an 18 per cent stake in Brick & Pipe.

Proceeds from these and other divestments amounted to A$178m.

On the other side of the ledger, CSR's 50 per cent owned Australian Cement acquired Goliath Cement, and the group spent A$65m acquiring or expanding various quarrying and concrete operations to complement its Readymix business.

Looking ahead, the group said demand would remain at a satisfactory level for the remainder of the year, despite forecast lower levels of housing activity.

For sugar it forecast reduced profits from domestic refining and sales but not milling.

"Profits generated from sugar and building materials operations are normally higher in the first half of the financial year," CSR stated. "A profit of at least A$400m for the full year is likely."

Merrill joins restructuring and lay-off bandwagon

By Janet Bush in New York

MERRILL LYNCH, the largest US securities house, yesterday became the latest company to begin restructuring its business and laying off employees in an effort to cut costs amid difficult market conditions and continuing overcapacity in the brokerage industry.

Mr William Schreyer, chairman, and Mr Daniel Tully, president, sent a letter to 40,500 employees worldwide, warning them that the restructuring would probably involve selected staff reductions.

The letter cited as reasons for the restructuring: overcapacity on Wall Street since the October 1987 stock market crash, competition from commercial banks and well-capitalised foreign firms and increasing risks.

"These factors have permanently altered the market landscape and are likely to remain intense throughout the coming decade. Indeed, they have already reduced or even eliminated the profitability of some of our businesses and operating results have not been what we want them to be," the letter said.

Merrill Lynch said the restructuring was still in the planning stages and therefore could not confirm speculation that job losses could run into thousands or that performance bonuses would be cut.

The company has already cut its payroll by 850 employees so far this year and 5,500 since the end of 1987.

Earlier this month, Shearson Lehman Hutton said it was planning a substantial management shake-up and would lay off around 800 employees. Salomon Brothers is reported to be reducing its investment banking force by up to 20 per cent and Drexel Burnham Lambert cut more than 100 jobs at the beginning of this month.

Investment Dealers' Digest, a US publication, estimates that 33,000 jobs in the securities industry have been lost since the 1987 stock market crash and expects another 13,000 to go by the first quarter of next year.

General Motors considers further white-collar cuts

By Anatole Kaletsky in New York

GENERAL MOTORS was reported yesterday to be considering further heavy cutbacks in its white collar employment, in the latest sign of the intensifying competitive pressures suffered by the whole US car industry.

The cuts could eliminate as many as 25,000 jobs over the next five years out of GM's US white-collar employment of around 100,000, according to press reports which the company did not confirm or deny.

The proposed reductions would come on top of the 40,000 administrative positions eliminated around the world in a two-year early retirement programme which began in late 1986. The plans for still deeper cuts are believed to reflect the dissatisfaction of GM's senior management with the company's still-cumbersome bureaucratic structure, as well as the need to cut costs in the face of continuing losses in US sales and market share.

The three big US car manufacturers, Chrysler, Ford and GM have all suffered steep declines in domestic sales during the past few months, culminating in the worst 10-day sales figures for more than two years, announced last week.

Thus far in the current model year, which began on October 1, sales of cars and light trucks by Detroit's Big Three have fallen by 19 per cent. GM has suffered the biggest decline, with sales down 20.7 per cent. Ford's sales have fallen by 14.6 per cent and Chrysler's by 10.8 per cent.

Analysts had partly explained away the disappointing sales figures as a predictable reaction to the cancellation of the big discounts and incentives which the US car industry used to clear out unsold inventories at the end of the last model year. But a series of warnings and retrenchment announcements from each of the Big Three has made it clear that Detroit views the prospects for the industry with anxiety, if not outright alarm.

Last week Mr Harold Poling, the new chairman-designate of Ford, said that as much as 20 per cent of the US car industry's capacity would have to close down in the next few years.

Chrysler announced earlier this month that it would cut its salaried work force by 8 per cent by the end of next year, while GM indicated last month that it would probably close at least three large North American assembly plants in the next three years.

The Japanese-based car-makers, by contrast, have expressed their determination to continue with an aggressive programme of capacity expansion. So far this year, Japanese-owned factories have been producing "transplant" cars at a rate of 1.2m units annually, accounting for 15.2 per cent of total US car production.

Meanwhile, realising Detroit's worst fears about the new Japanese-owned capacity, imports from Japan have fallen only slightly.

Time sells textbook subsidiary

By Karen Zagor in New York

TIME WARNER, the vast entertainment and publishing group, yesterday said it would sell its Scott, Foresman textbook publishing subsidiary for about $455m to an affiliate of Harper & Row, the US publisher which is part of Mr Rupert Murdoch's News International empire.

Time, which first considered selling Scott, Foresman in March last year, put the publishing concern on the block in August, shortly after the company began its merger with Warner Communications. The New York-based company said it was selling the unit because textbook publishing was not a core business for the company. Time acquired Scott Foresman in 1986 for $520m.

Time said it would record a pre-tax charge of $175m in its fourth-quarter results, to account for the loss on the disposal.

"The price reflects the softer tone of the market," said Ms Nancy Peretsman, director of corporate finance at Salomon Brothers which acted as financial adviser to Time Warner.

The US book-publishing industry has been hit recently by increased competition, falling profits and lower sales. Paramount recently said it would take a $140m pretax write-off against fourth-quarter earnings of its publishing operations which was attributed to its school-book publishing business.

"It was a matter of grow or get out of the market, and in a consolidating market it did not make sense to grow," said Ms Peretsman. Time Warner will benefit from the tax loss and can use the proceeds to retire debt, she added.

Scott Foresman, which is the fifth-largest schools publisher and seventh-largest college book publisher, will give Harper & Row a foothold in the US schools publishing market. It will also help Harper & Row consolidate its strength in college book publishing.

"I am especially pleased with the acquisition of Scott, Foresman because it rounds out the Harper & Row educational publishing programme with a premier name in that field," said Mr George Craig, president of Harper & Row.

Time Warner said the deal was expected to be completed by the end of the year, and was subject to regulatory filings.

Koor told to wait over write-off

By Hugh Carnegy in Jerusalem

THE FOREIGN creditors of Koor Industries, the deeply-indebted Israeli conglomerate, have reacted sharply to a request by the company for a $125m write-off from Israeli and non-Israeli banks by the end of this year to stabilise its parlous financial condition.

Officials at Manufacturers Hanover in New York, which leads the group of Koor's foreign bank creditors, said a letter was being sent to Mr Benjamin Gaon, Koor's chief executive, stressing that all concerned parties – including the Israeli Government, foreign and domestic bond holders and the company's trade union owners – would have to accept a share of the burden of restructuring Koor before the foreign banks would consider any debt forgiveness.

Mr Philip Zegarelli, a vice president at Manufacturers Hanover, said it was "out of the realms of possibility" to discuss a write-off before there had been in-depth analysis of the financial condition and recovery prospects of Koor. "It is ludicrous to say it has to be done by December 31," he said.

The write-off request was the latest twist in an increasingly desperate battle by Koor, Israel's biggest industrial group, to stay afloat. It appeared to have weathered much of the storm in June when it agreed rescheduling terms for its debt – now totalling just under $1bn – with the foreign and domestic banks which removed a liquidation suit brought by Bankers Trust of New York.

However, huge, unforecast losses then emerged in its biggest subsidiary, Tadiran. This particularly alarmed the Israeli banks, who hold more than two-thirds of the Koor debt but had conceded "first out" to their foreign colleagues in the June rescheduling deal. The Israeli banks halted finalisation of the June agreement until Koor had produced a revised recovery plan.

It was this that Koor produced last week.

It forecast group losses this year equivalent to $165m and said that, despite a gradual return to profitability, it would not generate sufficient cash flow to cover its debts up to 1993, even allowing for optimistic projected revenues of $245m from the planned sale of Tadiran and other assets. It therefore called for the $125m write-off which it said was urgent because, without it, Koor would by the end of this year be in breach of debt/equity obligations tied to $100m-worth of bonds issued in the US and a similar sum issued in Israel.

Complicating matters is a deepening rift between the Israeli and foreign banks. The local banks, which have already accepted a Shl 170m ($85m) write-off, essentially want to recast the June agreement to spread the burden of rescheduling more evenly.

One senior Israeli banker said this week he feared that under the terms of the June deal, Koor would be able to service only interest – not principal – on its debts after the foreign banks were paid off, even given the requested extra write-off.

The foreign banks, however, are extremely reluctant to go in any deeper without big concessions by "all constituencies." They tend to point especially at the shareholder, Hevrat Ha'ovdim, the holding company of the Histadrut trade union federation. They also say that a write-off of foreign obligations could have serious ramifications for Israel in foreign lending markets.

Sanofi to buy US scent group from Avon

By George Graham in Paris

SANOFI, the French pharmaceuticals and perfumes company, plans to buy Stern, the US perfumes group which includes the Oscar de la Renta brand, from Avon for $210m.

The acquisition is a big US expansion for Sanofi, a subsidiary of the majority state-owned oil company Elf Aquitaine, an area where its cosmetics activities have been heavy lossmakers for some time now and are expected to lose $15m this year.

The addition of Stern, which is expected to have sales exceeding $125m this year, 70 per cent of it in the Oscar de la Renta line, will take Sanofi's entire beauty division, including its 49.9 per cent stake in Nina Ricci, to sales of around FFr3bn ($483.9m). The company claims this will place it fifth in the world in luxury perfumery.

Sanofi officials explained that Stern's excellent distribution network in the US would be a great advantage, and the company was also well positioned in markets like Scandinavia, Spain and the Caribbean duty free sector, where Sanofi has little presence.

Stern's profits this year will be depressed by the heavy launch costs of "Uninhibited," a new perfume under the Cher label, but Sanofi officials said that the acquisition represented a reasonable multiple of its earnings.

Paris stockbrokers yesterday said the acquisition was a positive sign for Sanofi, as it reaffirmed the company's intention to stay in the US market and expand, rather than cutting its losses, as some had anticipated.

With the help of the relatively up-market Oscar de la Renta range, Sanofi is expected to be able to reposition its perfumes towards the top of the range and improve the return on the investments it has made in the US over the last two years. "Jean Levy, the new head of Sanofi's perfume and beauty division, spent 25 years at L'Oréal, and this is a very L'Oréalian strategy," commented one analyst.

Correction

Fletcher Challenge

CONTRARY to our report yesterday, Fletcher Challenge will not be paying a reduced dividend for the current year – the dividend for 1988/89 was 27 cents a share. There has been no change in the company's dividend policy, which aims at least to match the rate of inflation in New Zealand.

NTT rises 19% after big cut in interest payments

By Stefan Wagstyl in Tokyo

NIPPON TELEGRAPH and Telephone, the Japanese telecommunications service company which has come under intense public criticism in the past year, yesterday reported a 19 per cent increase in unconsolidated interim pre-tax profits to Y32.4bn ($225.4m).

This was due to a 39 per cent improvement to Y147.8bn in net non-operating expenses, achieved by a large reduction in interest payments on debt.

Operating profits fell 8 per cent to Y292.8bn, because of increased competition from newly established carriers and government-imposed rate cuts.

The figures excluded the results of NTT's data communications division, which was deconsolidated into a separate company in July 1988.

For the full year to the end of March, NTT forecast that revenues and profits would rise only slightly from last year to Y5,685bn and Y430bn.

Total operating revenues for the six months to the end of September rose 1.3 per cent to Y2,824bn, an increase of Y26bn.

The deconsolidated data communications business contributed Y44bn in revenues in the same months last year.

Revenues from subscriber telephone calls fell 0.3 per cent due to competition and rate cuts, but revenues from public telephone calls rose 11.2 per cent due to the increased use of prepaid-card phones.

Revenues from mobile telephones soared 54 per cent.

Total telephone service revenues were just 2.1 per cent higher at Y2,335bn.

Among other businesses, revenues from leasing circuits rose 10.3 per cent to Y180.7bn.

Net income was 13 per cent higher at Y114.3bn, or Y7,326.9 a share. The dividend is unchanged at Y2,500.

NTT is fighting plans put forward by the Ministry of Posts and Telecommunications to break up the giant company into separate regional operations.

It was subjected to public criticism over the alleged involvement of three former senior executives in the Recruit corruption scandal.

Modest gains for Japan's dairy product companies

By Ian Rodger in Tokyo

JAPAN'S LEADING dairy product companies reported modest profit gains in the six months to September 30, against a background of modest sales increases and higher costs.

Snow Brand Milk Products, Japan's largest dairy group, said sales of milk and other dairy products grew by 6.2 per cent while those of fruit juices grew 5.7 per cent. Operating profits fell 12.6 per cent to Y7.8bn ($54.26m) because of rises in production costs due to higher prices for imported cheese and butter. For the full year, the company is looking for pre-tax profits of Y17.2bn, up 2.5 per cent.

Meiji Milk said turnover of condensed and processed milk declined and costs of imported raw materials increased because of the weakening of the yen. Operating profit declined 14.2 per cent.

The company is forecasting a pre-tax profit of Y7.1bn for the full year, up 3.2 per cent.

Morinaga Milk Industry said milk sales rose 4.2 per cent to Y65.5bn and sales of other dairy products, except ice cream, rose 7 per cent to Y85.4bn.

Ice cream sales were down 0.6 per cent to Y32bn. In the full year, the company is forecasting a pre-tax profit of Y6.6bn, up 1.9 per cent.

DAIRY PRODUCT COMPANIES' RESULTS (Ybn)
Half year to September 30

Company	Revenue	% rise	Pre-tax	% rise	Net	% rise
Snow Brand	258.2	4.6	9.1	5.2	3.7	37.4
Meiji	204.3	5.6	4.6	5.5	1.7	32.7
Morinaga	177.5	3.2	4.8	1.7	1.7	3.5

Equipment suppliers fear a power vacuum

Nick Garnett on the uncertain future for the British boiler and turbine manufacturers

Britain's manufacturers of power station equipment are trying to come to terms with what looks like a post-nuclear age.

The Government's abrupt decision earlier this month to shelve three new nuclear stations surprised companies like GEC-Alsthom, Rolls Royce's Northern Engineering Industries and Babcock International.

The equipment makers are uncertain of the consequences. It is not clear what types and sizes of power stations will replace the three nuclear stations – Hinkley C, Wylfa and Sizewell C.

Three tentative effects, however, are emerging. First, it is not good for the supply industry as a whole in the short term.

Second, some equipment makers are set to lose much more than others, while a few will emerge in a stronger competitive position.

Finally, a further fragmentation of the industry is likely as a move towards smaller power stations speeds up.

The last consideration will probably tip the balance towards some of the smaller UK equipment producers and suck in engineering competitors from outside Britain.

It means that makers of turbines, boilers, controls, pipework and all the other equipment that goes into stations must live with uncertainty. The procurement programme for new power stations in the UK has been a shambles for years.

FUTURE OF POWER STATIONS

THREATENED PWRs	
Wylfa B	1200MW
Sizewell C	1200MW
Hinkley C	1200MW
SHELVED COAL PLANTS	
West Burton B	1800MW
Fawley B	1800MW
Kingsnorth B	1800MW
Total capacity 9000MW	

Except for Sizewell B in Suffolk, no new station has been ordered for a decade. Within the past 18 months plans for three large coal-fired stations were abandoned, victims of electricity privatisation and the replacement of the Central Electricity Generating Board by National Power and PowerGen.

The nuclear programme, therefore, was a secure market for the big equipment makers with their large factories, which were only partially loaded with export contracts. "The nuclear stations were at least a beacon of certainty in a sea of uncertainty," said one industry manager. That "certainty" has now gone.

The end of the nuclear programme for the foreseeable future – except for Sizewell B which is under construction – will affect different companies in different ways.

Of the main suppliers of large equipment, NEI has probably the most to smile about. It *mothballed its main nuclear* equipment plant in 1986. It picked up orders at Sizewell B for pressurisers and controls but failed to win any of the main orders for that station. In the long run, a non-nuclear programme probably suits it. GEC-Alsthom, however, has a substantial nuclear technology business.

It won the order for the turbines for Sizewell B (which are different in design from turbines for fossil-fuel stations) and is project manager for the nuclear island at the Guang Dong station in China.

The group could have expected to do well out of UK nuclear stations. Sir Robert Davidson, vice chairman and managing director, has asked for an internal review of the decision's implications.

Nevertheless, GEC-Alsthom's nuclear equipment is not made in dedicated factories. For example, its plant at Rugby makes all types of turbines. Like NEI, the company also has the important capability to make any type and size of power station that might be required in the 1990s.

Babcock International, the main UK boiler maker along with NEI, won the boiler order for Sizewell B, and it makes all types of boilers at its Renfrew plant in Scotland.

Mr *Oliver Whitehead*, Babcock's chief executive, said the decision on nuclear was not good news for suppliers. However, the company had only a handful of dedicated nuclear designers "and we certainly shall not be firing those people."

Babcock also makes boilers for a range of different types of station and believes there will now be more repair and maintenance work.

The nuclear decision is probably not good news for Hopkinsons, the valve maker with specialist nuclear technology that Weir bought this year.

It is much better news in the long run for UK suppliers and turnkey contractors for small non-nuclear stations, which have either no or little nuclear capability. These include Hawker Siddeley and John Brown.

Foreign competition in the supply industry is likely to grow if the British industry fragments further. With skids under the nuclear programme and the structure of the electricity industry militating against large coal-fired stations, the move towards small stations will probably accelerate.

These include small coal-fired stations and gas-powered, combined-cycle stations where the exhaust gas goes through a boiler and back into the system of turbine generation.

The scramble for orders is going to intensify between small and big equipment suppliers.

The latter have been getting dramatically bigger recently.

Fragmentation will also encourage outsiders. Lakeland Power – in which Asea Brown Boveri, the Swiss-Swedish electrical engineering group, is the dominant partner – has already won a big long-term supply contract for the north-west of England, while Bechtel of the US is to build a commercial station for British Coal.

Equipment suppliers are still counting on around 15,000MW of new capacity in the 1990s. Whether it all materialises is questionable.

The Government says it wants the UK to maintain its nuclear station engineering capability, but its ability to do so must be in doubt.

Suez reports steep rise in first-half earnings

CIE FINANCIERE de Suez, the parent company of one of France's leading investment banking groups, has reported a steep rise in its consolidated net profit for the first half of 1989, AP-DJ reports.

It said net profit for the first six months of this year totalled FFr1.97bn ($317m) compared with FFr2.69bn for all of 1988.

The first-half result is 46 per cent higher than half of the group's 1988 earnings. Suez said this was a better yardstick for the group's performance than comparing the 1989 first-half result with the corresponding figure for 1988 because of changes in the group's structure.

Acquisitions since the beginning of this year include the Belgian group Société Générale de Belgique and Cie Industrielle of France.

Suez said profits from continuing operations amounted to FFr1.10bn in the first half of this year, compared with FFr1.60bn in all of 1988. After-tax profit from Suez's portfolio of securities was FFr867m against FFr1.09bn for all of 1988.

The 1989 first-half net profit was FFr20.03 a share, compared with FFr35.01 for 1988.

Atari seeks to regain market after launch

ATARI, the US video game company, said it expects to produce and market one million of its newly-introduced Lynx hand-held video games next year in an attempt to win back market share from its rival Nintendo, Reuter reports.

Ronald Stringari, president of Atari's US entertainment division, said it expects to sell 70,000 of the units by the end of this year.

They were introduced to the New York area this year with a $1m advertising campaign.

Atari officials said they are seeking to leapfrog video games sold by Nintendo ahead of lawsuit proceedings on patent and antitrust violations against Nintendo set for next year.

Atari's current line of video games, the 2600 and 7800 family, is lagging behind with total worldwide sales of about 1m units worldwide. The company is charging Nintendo with infringements of an Atari patent and with antitrust and unfair trade practice violations.

Nintendo's US unit, Nintendo of America, said last week that a federal judge had ruled in its favour in a copyright infringement case.

But Atari officials said they do not expect that ruling to have a negative impact on their cases, which they would continue to pursue.

Atari's has said its earnings and revenues this year have been hurt by depressed video game sales in the US and has blamed alleged unfair practices. Nintendo has come to dominate the US video game market.

Atari shares gained ⅛ to 9⅝ in light trading Tuesday.

Thomson advances 10.4% despite flagging travel side

By David Owen in Toronto

THE THOMSON Corporation, the Canadian publishing and travel group, yesterday reported a 10.4 per cent advance in nine-monthly operating earnings, despite lower profits from its travel-related activities.

Increased discounting in the package tour market was blamed as the principle cause of the travel group's trouble. Thomson warned that holiday demand for the winter 1989-90 and summer 1990 periods continued to be "very depressed."

In all, operating profits totalled US$318m or 59 cents a share, compared with US$288m or 53 cents in the nine months ended September 30 1988. Sales rose to US$3.9bn from US$3.5bn a year ago.

After including the net gain of US$475m from the sale in March 1989 of the group's oil and gas interests, net earnings for the latest period increased to US$793m. This compares with 1988 income, including earnings from discontinued energy operations, of US$300m.

Travel group profits, including interest, tumbled to US$88m in the most recent nine months, versus US$114m in the previous year At the operating level, the difference was more pronounced at US$54m versus US$90m.

INTERNATIONAL APPOINTMENTS

J.P. Morgan to enter next decade with new helmsman

THERE WILL be a change of helmsman at J.P. Morgan, the fourth largest US commercial bank, from the beginning of the new year and start of the next decade.

Mr Lewis Preston, 63, declared that he will be succeeded as board chairman and chief executive at that time by Mr Dennis Weatherstone, 58, currently serving as president. Mr Preston will then take on the role of chairman of the executive committee.

Also from January 1, Mr Douglas A. Warner III will become president. Mr Roberto Mendoza Jr and Mr Kurt Viermetz will be vice chairmen, along with vice chairman John Ruffle. Mr Mendoza will continue to play an important role in the bank's global merger and acquisition business.

Commenting on his decision to step down as chief executive before reaching the company's retirement age of 65, Mr Preston said: "It is the right point in J.P. Morgan's evolution to put this new team in place. I thought there should be ample time for the firm to benefit fully from Dennis Weatherstone's leadership."

Mr John Mayer Jr, managing director, is to become head of the corporate finance group, filling Mr Warner's current post. Mr Scott Levine, managing director, will take charge of mergers and acquisitions for North America, replacing Mr Mendoza in that area.

● J.P. MORGAN named as a member of its International Council Mr Bo Berggren, president and chief executive of Stora, of Sweden, Europe's largest forest products group.

The International Council, established in 1967, includes leaders in business and public life from 15 countries who meet periodically and advise Morgan's management on international issues. Its chairman is former US Secretary of State George Shultz.

Laurentian chief executive steps down

By Robert Gibbens in Montreal

MR CLAUDE Castonguay, 60, the former Quebec Cabinet minister who had built Laurentian Group into a C$15bn financial services conglomerate in a decade, is stepping down as its chief executive officer.

He will become chairman of the board of the main holding company, the publicly-traded Laurentian Group Corporation, and of several subsidiaries.

He is succeeded as CEO by Mr Jacques Drouin, 47, who is also president.

Laurentian, which owns the UK-based Trident Assurance, is now completing a turnround from a slow 1988, with strengths in banking, trust and life assurance operations.

Mr Castonguay said he will work for provincial legislation allowing financial services groups to control commercial and industrial companies, and help to rally Canadian business in favour of the Meech Lake Constitutional Accord.

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SWISS BANK Corporation, Switzerland's second largest bank, appointed Mr Jiri Huebner as first vice president and division executive of the bank's new Structured Finance Division in New York.

Mr Huebner was formerly a partner of Credit Suisse First Boston and had been in charge of its US banking business in New York. Before that, he was with Chase Manhattan Bank in London as head of its European syndicated loan business.

This year marks the 50th anniversary of Swiss Bank in the US. Its new division incorporates the highly leveraged transactions of the bank's present Structured Finance Department and existing Syndications Department.

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CANADIAN Satellite Communications announced the appointment of Mr Douglas Holtby as chairman.

Mr J.R. Peters, the previous chairman, resigned last month.

Mr Holtby is president and chief executive of Western International Communications, posts which had once been held by Mr Peters. WIC holds about 51 per cent of Canadian Satellite.

Ahmanson chooses president

H.F. AHMANSON, parent of the biggest savings and loan association in the US, announced that Mr Charles Rinehart will join the company on December 1 to serve as president of the company and the principal unit, Home Savings of America.

Mr Rinehart has spent the past four years as president and chief executive of Avco Financial Services.

* * *

AT COOPER Tire & Rubber, the thriving medium-sized US tyre producer, Mr Ivan Gorr, formerly president and chief operating officer, has become chairman and chief executive.

Mr Gorr, 60, succeeded Mr Edward Brewer, 64, who resigned from those positions, but he is to remain a director and serve as chairman of the executive committee.

Mr William Fitzgerald, 63, was named president and chief operating officer. He had been executive vice president since 1982 and has also been president of the company's tyre operations.

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CENTRAL AND South West, the US utility, said that Mr E.R. Brooks, executive vice president, will become president and chief operating officer on January 1.

He will succeed Mr Merle Brochelt, who will remain chairman and chief executive.

Former NWA head joins Hill Samuel US offshoot

MR STEVEN Rothmeier, who recently resigned as chairman and chief executive of NWA and its Northwest Airlines subsidiary following the buyout of NWA by Mr Alfred Checchi's investor group, is joining Investment Advisers, the US offshoot of UK merchant bank Hill Samuel, which was purchased by the British TSB Group two years ago.

At Investment Advisers, Mr Rothmeier, 43, will be president of its capital group.

His main responsibility will be to direct the US company's activities in mergers and acquisitions, venture capital, leveraged buyouts and merchant banking, focusing on opportunities throughout Europe in conjunction with the Hill Samuel parent.

○ Mr Rothmeier resigned as a director of First Bank System, a leading US regional bank group, in order to avoid any potential conflict of interest.

He said that he felt it necessary to resign from First Bank's board because Investment Advisers operates in several business areas where First Bank is active.

* * *

MS ROZANNE Ridgway, president of the Atlantic Council of the United States and a former foreign service officer for the US State Department, has been elected by the board of Union Carbide, a leading US chemical group, to serve as a director of the company. This will be effective from January 1.

Prior to being named in September to head the Atlantic Council, a bipartisan non-profit public policy institute in Washington, D.C., Ms Ridgway was assistant secretary of state of European and Canadian Affairs (1985-89).

She had been ambassador to the German Democratic Republic (1982-85), ambassador to Finland (1977-80) and ambassador for oceans and fisheries affairs (1976-77).

* * *

HOUSTON-BASED natural gas pipeline operator Panhandle Eastern, which acquired the much larger rival concern Texas Eastern through an agreed bid early this year, said that Mr Dennis Hendrix tendered his resignation as president and chief executive officer of Texas Eastern, effective from the end of the year.

Two other Texas Eastern executives, senior vice president Paul Anderson and executive vice president Derrill Cody, also resigned.

* * *

UNAT, the Paris-based pan-European general insurance company of American International Group, one of the largest US insurers, has appointed Mr Pierre Charles as senior vice president with managerial responsibility for all consumer business throughout Europe.

Mr Charles formerly held the position of deputy managing director at Allianz France.

INTERNATIONAL CAPITAL MARKETS

It's open all hours for Sydney futures

The after-hours screen trading system shortly to be launched on the Australian exchange could mean the end of open outcry there and trading until midnight, finds Chris Sherwell

The Sydney Futures Exchange is shortly to start a novel after-hours screen-dealing system, designed to meet demand for extended trading hours without the cost of staffing its trading floor.

Known as Sycom – Sydney Computerised Overnight Market – the system is undergoing final tests, and interested floor members are being trained in its use.

According to some futures specialists, the development is the thin end of a wedge – the *first step in an inevitable progression* which will see the end of open-outcry trading and the introduction of all-day screen-based trading.

Sydney would not be the first: some smaller exchanges, notably New Zealand's, are already fully screen-based. But of the leading exchanges, only the London International Financial Futures Exchange (Liffe), with an after-hours system scheduled to start at the end of this month, is abreast of Sydney's plans.

The two are implementing different systems. London will replicate the open-outcry system onscreen, allowing those using it to see all bids and offers. Sydney will match buyers and sellers automatically in a method giving priority on the basis of price and time.

The Sydney move springs from experiments with late trading sessions on special occasions. Despite their success, officials say such arrangements are impractical in the long term because of the cost of staffing and maintenance of the trading floor.

There has been increasing demand for such trading. Plenty is already done in London on the 10-year Australian bond futures contract through a cumbersome process of kerb trading tied to the physical price, known as EFP (exchange for physical).

Through Sycom, this and local business will be done directly through the Sydney exchange.

Trading will begin at 4.45pm Sydney time, shortly after the floor closes, and go on until midnight. Initially it will be restricted to the 10-year bond contract, but products and hours will be extended as needed.

The development comes a few months after the Sydney exchange agreed to join the Chicago Mercantile Exchange (CME) in a system called Globex, which is a transaction system being developed with Reuters for after-hours global futures trading.

According to Sydney exchange officials, Sycom will complement Globex, which will start only with CME contracts. When the two tie up, local futures products from each market will become available to the other.

The Sycom plan also coincides with a debate concerning Sydney's clearing house arrangements. For 20 years these have been the responsibility of the International Commodities Clearing House (ICCH), owned by a group of British banks.

Many members of the Sydney exchange argue that their exchange should take over this activity. They believe the exchange's costs would come down, that they would be able to control their own market in respect of new contracts and margins, and that the move would bring Sydney into line with other exchanges.

So the exchange has advised the ICCH that it will be serving the required 12 months' notice terminating its contract.

The exchange has not yet given notice, and it will only do so when its members are fully in agreement and ready to contribute to the all-important guarantee fund.

As if this was not enough, the exchange, which will be 30 next year, is also undergoing a significant but barely noticed metamorphosis. As trading in wool, cattle and gold has almost vanished, it has become virtually a pure financial futures exchange – and a domestic one to boot. The US Treasury bond and Eurodollar interest rate contracts were suspended in April. And the Australian dollar futures contract, despite being revamped last year, is performing disappointingly.

Yet it is enjoying record trading volumes: at the end of last month it reached 10m contracts for the first time, and is heading for a 1989 total of 12m against 1988's 7.5m.

Swiss equities face heavy pension fund investment

By William Dullforce in Geneva

SWISS pension funds will try to place SFr4bn to SFr5bn ($3.1bn) a year in Swiss equities *over the next four years, if* fund managers stick to their present intentions.

And, as net new issues of shares are likely to be well under half these amounts, the impact on Swiss stock exchanges will be dramatic, says a survey.

The analysis of anticipated future investment practices of the largest Swiss pension funds and life insurance companies was presented in Zurich yesterday.

Managers controlling some *40 per cent* of the SFr225bn under management in Switzerland were interviewed during the two-year project, carried out by Mr Stefan Hepp at the St Gallen Graduate School for Business and Economics.

Speculation has been widespread about the impact on Swiss shares of the fast-accumulating assets in the funds since mandatory occupational pension schemes were introduced in 1985.

However, Mr Hepp is the first to survey the industry scientifically, according to Mr *David Dübendorfer* of Salomon Brothers, the US investment bank which sponsored his study.

By the mid-1990s total occupational pension assets could reach 90 per cent of Swiss gross national product, the *highest ratio of any industrialised* country.

The most likely situation implies a growth of pension assets to more than SFr360bn by 1995 – and to almost SFr2,200bn by 2025.

There is hardly any aspect of the Swiss financial markets which will not be affected by this rapid growth in institutional money, Mr Hepp claimed.

The effect on the mortgage market is already apparent. As personal savings flow into pension funds instead of savings accounts, the banks are having to resort to more expensive ways of financing mortgage landing and, to householders' consternation, have steadily increased mortgage interest rates.

Mr Hepp suggested that the banks should launch mortgage-backed securities, offering pension funds an attractive long-term investment vehicle.

Another crucial factor will be the pressure on fund managers to upgrade their performance.

Usually managers aim for minimum investment income targets and low annual asset volatility instead of real asset growth objectives.

They have preferred nominal securities such as bonds, loans, mortgages and liquid assets. They have failed to reach the generally accepted 4 per cent rate of return in 20 of the past 40 years and barely exceeded it on an aggregate basis.

The big pension funds recognise that, to be able to grant cost-of-living adjustments in future, rates of return must increase, says the survey.

Managers' intentions indicate changes in asset weightings over the next five years that would increase their equity holdings by 5 per cent of total assets and reduce property assets by 3 per cent.

This forms the basis of Mr *Hepp's calculation that until* 1992 an annual average of up to SFr5bn of pension fund money will be seeking equity outlets.

Moreover, these intentions were registered before parliament passed a recent bill against property speculation, which raised the legal maximum that the funds can place in equities to 50 per cent of portfolio totals and reduced to 30 per cent the maximum for property.

Not only would the demand for equities exceed the likely net supply of new issues by more than 200 per cent, it would also have an enormous influence on the secondary market.

According to Mr Hepp, the implications would be:

● rising price/earning ratios and declining dividend yields – yields which are already below 2 per cent for most Swiss blue chip companies, would decline further;

● pension funds would need to trade their growing equity holdings to realise capital gains;

● institutional investors would start putting on the pressure for dividend increases at shareholder meetings;

● since the Swiss stock market is dominated by a small number of highly capitalised issues, institutional investors would be forced to become "closet index funds" as their large investment volumes forced them to "hold" the market;

● narrow markets and declining yields would occur in domestic market segments, once the institutions started to focus on them.

Mr Hepp concludes that a break with tradition and diversification into international assets must become a key element in future Swiss pension fund investments.

His report includes a study *showing that between 1973 and* 1987 an internationally diversified bond/equity portfolio would have substantially improved returns and reduced risks compared with a purely domestic bond/equity fund – even taking into account the 1987 crash and the dollar slide.

● Swiss Bank Corp is to manage worldwide some of the funds of Japan's biggest life insurer, Nippon Life, which will take a stake of 2 to 3 per cent in the Swiss bank.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 22

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
B.F.C.E. 9¼ 95	150	103⅛	103⅝	-0⅛	-0¼	8.51
Brit. Tel. Fin. 9⅞ 98	250	104⅛	104½	+0⅛	-0¼	8.67
Canada 9 96	1000	103¾	104⅛	+0⅛	-0¼	8.17
C.C.C.E 9¼ 95	300	103	103½	+0⅛	-0⅛	8.44
C.N.C.A 9⅞ 93	150	102⅝	102⅞	0	-0⅛	8.54
Credit National 8¼ 93	200	99½	100	+0⅛	0	8.31
Credit National 7⅞ 92	100	97¾	98¼	+0⅛	-0⅛	8.29
Credit National 9½ 92	160	†102⅛	102⅞	0	0	8.49
Dai-Ichi Kan 9⅝ 92	150	102⅜	102¾	0	-0¼	8.57
Denmark 8¾ 94	150	†98⅝	99⅛	+0¼	-0⅛	8.53
E.E.C. 7 91	100	97¼	97¾	0	-0¼	8.38
E.E.C. 10 93	140	†104½	104⅞	0	0	8.33
Eurofima 10⅛ 93	100	†104⅝	105	0	-0⅛	8.40
Elec. De France 9 98	200	102⅝	103⅛	0	-0¼	8.49
Elec. De France 9½ 99	200	105½	105¾	+0⅛	-0⅛	8.58
Finland 9 96	250	102¼	102½	-0⅛	-0⅛	8.52
Finn.Exp.Cd. 8½ 92	200	100⅛	100⅝	0	0	8.28
Finn. Exp. Cd. 9⅜ 95	200	103⅜	103¾	0	-0⅛	8.59
Ford Motor Credit 8 91	250	†99	99½	0	+0¼	8.56
Gen. Elec. Cap. Corp. 9 93	500	†101¾	102¼	+0⅛	-0⅛	8.39
Gen. Elec. Cap. Crp. 10 1/2/91	300	102⅛	102⅝	+0⅛	+0⅛	8.45
G.M.A.C. 9 96	300	100⅝	101⅛	-0⅛	-0¼	8.80
Gen. Mtrs. Corp. 9⅛ 92	200	101¼	101¾	+0⅛	-0⅛	8.43
IBM Credit Corp. 8⅝ 92	400	100½	100⅞	+0⅛	-0¼	8.32
IBM Credit Corp. 8⅞ 91	250	100½	101	0	0	8.42
IBM Credit Corp. 9 92	250	101½	102	0	0	8.20
IBM Credit Corp. 9½ 92	250	101¾	102½	0	-0⅛	8.38
Italy 8½ 94	1500	100	100⅜	+0⅛	-0¼	8.43
Italy 9½ 95	1000	104¼	104¾	-0⅛	-0¼	8.51
Italy 9⅝ 99	1000	106	106⅜	+0⅛	0	8.61
Itoh C. W/W 4⅜ 94	1000	†110½	111½	+0⅞	+0⅛	2.08
Japan Dev. Bank 10 96	200	107	107⅜	-0⅛	-0¼	8.50
KFW Intl. Fin. 9 94	300	101¾	102⅛	0	-0⅝	8.46
L.T.C.B. of Japan 9¼ 92	200	101½	102	+0⅛	-0⅛	8.55
Metropolis Tokyo 9½ 93	200	102¾	103¼	+0⅛	-0¼	8.35
Nippon Tel.&Tel. 9⅜ 98	250	104½	105⅛	+0¼	0	8.60
Norway 8¾ 93	500	101¼	101¾	+0⅛	0	8.18
Portugal 8¼ 91	300	†98¼	99¼	0	+0¼	9.01
Sumitomo Bank 9⅝ 92	150	†102⅛	102⅞	0	-0⅝	8.58
Sumitomo Corp. W/W 4 93	1500	†119	120	+0½	+1¾	-1.26
Sweden 8¼ 96	200	101½	101⅞	+0⅛	-0⅛	8.39
Sweden 8½ 92	200	†99¼	100⅛	+0⅛	+0⅛	8.47
Toyota 9½ 91	200	101⅝	102⅛	0	-0⅜	8.46
Toyota Mtr.Corp. W/W 4 93	1500	†105½	106½	+0½	+0½	2.22
Victorian Rep 11⅝ 92	150	105¾	106⅜	0	-0¼	8.73
World Bank 8⅜ 99	1500	101⅛	101⅜	+0⅛	-0¼	8.39
World Bank 9 97	300	102¾	103¼	0	-0¼	8.44
World Bank 9 93	300	102¼	102½	0	0	8.19
World Bank 9¼ 98	300	104⅜	104⅝	+0⅛	-0¼	8.51
World Bank 9⅝ 99	500	106⅜	106⅝	-0⅛	-0½	8.56
World Bank 9¾ 96	300	106¼	106¾	+0¼	0	8.44

Average price change... On day +0⅛ on week +0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. BK. 6 94	200	*91⅞	92⅜	0	+0¼	7.91
Austria 6¼ 99	750	*93⅝	94¼	0	-0⅝	7.68
Bk.Frgn.Econ.USSR 7 96	750	*†94	95	0	+0½	8.13
Bank of Tokyo 5¼ 93	100	*93¾	94¼	0	+0⅝	7.89
Commerzbank o/s. 5⅞ 93	300	*93¼	93⅞	0	-0⅛	7.79
Credit Foncier 6⅛ 99	500	*93½	93⅞	0	-0⅝	8.76
E.I.B. 6¼ 99	600	*90½	91⅛	0	-0½	7.68
E.I.B. 6½ 99	300	*92⅞	93⅝	0	-0⅛	7.53
E.I.B. 6⅝ 96	600	*94⅝	95¼	0	-0¼	7.63
E.I.B. 6⅞ 95	300	*96	96⅝	0	-0¼	7.65
Euro.Coal & Steel 5⅞ 97	175	*89½	90⅛	0	-0¼	7.77
Eurofima 6⅛ 96	100	*90⅞	91⅝	0	-1¼	8.00
Elec De France 5¾ 97	300	*89⅛	89⅞	0	0	7.62
Hydro-Quebec 6¼ 99	300	*93⅜	94⅛	0	-0½	7.70
Japan Dev. Bk. 5⅛ 95	300	*89⅝	90⅜	0	-0⅝	7.69
Japan Finance 5⅞ 97	100	*88⅝	89⅝	0	-0½	7.79
I.A.D.B. 7¼ 99	300	*97⅛	97¾	0	-1⅛	7.64
Ireland 6½ 97	300	*92	92½	0	0	7.91
Ireland 7¼ 99	500	*95⅝	96⅛	0	-0¼	7.85
Malaysia 6¼ 94	150	*91⅝	92⅛	0	+3½	8.40
Nat. West BK. PLC 6 98	300	*87½	88¼	0	-0⅞	8.02
N.H.L. Finance 6¼ 95	200	*†92¼	92⅞	0	-0⅛	7.87
Nippon Telg.&Tel. 6 95	400	*92⅝	93⅛	0	-0¼	6.58
Oesters. Kontbk. 5 93	300	*92⅝	93⅜	0	-0⅜	7.54
Portugal 5½ 92	150	*95⅛	96⅛	0	0	7.53
Portugal 6⅝ 95	150	*95⅛	95⅞	0	-0½	7.62
Privatbanken 5¼ 93	150	*91⅞	92½	0	+0¼	8.03
Royal Insurance 5½ 92	300	*94⅛	94⅝	0	-0⅛	8.17
Turkey 6½ 95	500	*91¼	91⅞	0	-0¼	8.49
Union Bk.Finland 5½ 94	200	*†89¼	90¼	0	-1½	8.44
World Bank 6 98	500	*88⅝	89⅛	0	-1	7.77
World BK. 6¼ 97	600	*90⅞	91⅛	0	-0⅞	8.61
World Bank 6⅛ 99	600	*93½	93⅞	0	-0⅝	7.70

Average price change... On day 0 on week -0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev.Bk. 5 96	150	†90½	91¼	-0⅛	+0⅛	6.73
Asfinag 5 03	100	†88	88½	+1¼	+2¼	6.30
B.F.C.E. 4½ 98	200	†87	88	0	+0⅛	6.43
B.M.W Fin.Neth. 5 13	150	†83½	85	-0⅜	-0¼	6.30
Britannia B/S. 4¼ 94	100	†86½	88	-0⅛	+3⅛	7.66
CIR. Int. W/W 3 93	125	†89	89¼	0	-0⅛	6.42
Credit Lyonnais 4⅛ 00	100	†86	87	-0½	+0¼	6.56
E.I.B 4⅝ 98	150	†87¼	88	0	-1⅜	6.55
Finn. Exp. Cd. 8¼ 92	75	†100½	100⅜	+0⅛	+0⅛	7.98
Fletcher Chall. 4⅞ 98	150	†83½	84½	+0¼	-1	7.51
I.A.D.B. 6 2004	200	†96	96½	-0⅛	-0⅞	6.40
Kobe City 4⅞ 98	150	†87½	88¼	-0⅛	-0½	6.50
Leeds Perm. B/S. 4⅛ 93	200	†89	90	0	0	7.75
Malaysia 5¼ 98	100	†84	85	0	0	7.78
Maxwell Comm.Crp. 5 95	150	†79	80	0	+1⅛	9.96
Nat.Bk. Hungary 5½ 94	75	†88	90	0	+0¼	8.23
Nationwide Ang.B/S. 4 93	200	†87	88	+0⅞	-2	8.17
Prov. Newfoundland 5 03	150	†85	87	0	-0¼	6.55
Thailand 4⅜ 95	200	†86½	89	0	+1¼	7.35
World Bank 5 03	150	†86	86½	+0½	-0¼	6.55

Average price change... On day +0 on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Canada 6⅛ 91	80	99⅝	100⅛	0	-0⅛	6.09
Canada 5⅝ 93	80	98⅛	99⅛	-0⅛	+0⅛	5.96
Eurofima 5 1995	20	95⅛	95⅝	-0⅛	+0⅛	5.99
E.I.B. 4⅞ 93	30	96⅛	96⅝	-0⅛	+0⅛	6.03
Ireland 5⅛ 93	30	96⅛	96⅝	-0⅛	0	6.23
Norway 5⅛ 93	50	96⅛	97	-0⅛	0	5.81
Sweden 4⅞ 93	50	95⅛	95⅝	0	0	6.05
World Bank 5⅛ 98	10	94½	95¼	-0⅛	0	5.94
World Bank 7 94	20	103¾	104¼	0	+0⅛	5.93

Average price change... On day -0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey Nat. 10¼ 94 C$	150	—	—	—	—	—
Abbey Nat. 11⅜ 95 £	100	95⅞	96⅛	+0⅛	-0⅝	12.73
Aegon 7¾ 92 FL	100	99½	100	0	0	7.92
Alg. Bk. Ned. 5¾ 93 FL	200	92½	93⅛	0	-0⅛	8.23
Austria 7½ 94 ECU	100	93¼	93⅞	0	-0⅛	9.33
Bk.Nova Scot.14⅞ 90 A$	75	†96⅞	97⅞	+0¼	+0⅛	[illegible]
Barclays Aus.13½ 91 A$	100	97	97⅜	+0¼	+0⅛	15.30
Belgium 8¼ 94 Ecu	150	95¼	95¾	0	-0⅛	9.43
BP Capital 9⅞ 93 £	100	91⅝	92⅛	+0⅛	-0½	12.80
British Airways 10 98 £	100	89⅛	89⅝	+0⅛	-0½	12.09
Brit. Telecom 9⅞ 93 £	150	91¼	91⅞	0	-0⅛	12.77
Comm.Bk.Aust. 12⅞ 93A$	100	†93	93½	+0¼	+0⅛	15.16
Comm.Bk.Aus.13¾ 94 NZ$	60	†104¼	105¼	0	0	12.33
Credit Foncier 9 96 Ecu	100	98⅛	98⅝	0	-0⅛	9.32
CrLocalFrance 9¼ 92Ecu	100	99¼	99¾	0	-0⅛	9.43
Deut.Bk.Aus. 13⅞ 93 A$	125	†95¼	96¼	+0¼	+0⅛	14.75
Deutsche Bk.Fin. 15 94 A$	100	†101⅞	102⅞	+0¼	+0¼	14.24
E.I.B. 7 96 LFr	100	†96½	97½	0	+1⅛	7.62
E.I.B. 7¼ 99 FL	150	94	94½	0	-0⅛	7.99
E.I.B. 9 99 Ecu	150	96½	97	+0⅛	-0½	9.21
Eurofima 7⅝ 94 Ecu	100	94	94½	+0⅛	-0⅛	9.33
Export Dv.Crp.8⅞ 92Ecu	100	98⅛	98⅝	+0⅛	-0¼	9.38
Fed.Bus.Dv.Bk. 9 94 Ecu	100	98⅛	98⅝	+0⅛	-0⅛	9.43
Fed.Bus.Dv.Bk 9¼ 92 C$	75	†97⅞	97⅞	-0¼	-0⅞	10.81
Fed.Bus.Dv.Bk.10½ 93C$	50	†98⅞	99⅜	-0¼	-0¼	10.76
Ferv. Stato 7¾ 93 Ecu	100	94½	94⅞	+0⅛	-0⅛	9.67
Ford Cr.Can.10¾ 93 C$	100	†99¼	99⅞	-0¼	-0¼	10.90
Ford Cred.Can.10⅞ 96C$	125	†100¼	100⅞	-0¼	-0¼	10.73
Ford Cred.Fund.10⅞ 93£	60	93⅞	94⅛	0	-0⅝	12.81
G.M.A.C.Canada 11 3/494C$	100	†102½	103	-0⅛	-1	10.89
Heineken 7⅝ 94 FL	150	100⅛	101	0	-0⅛	7.71
Hydro-Quebec 11 99 C$	400	102⅛	102⅝	-0⅛	-1⅛	10.55
Lloyds Bank 10¼ 98 £	150	89⅞	90⅛	0	-0⅝	12.18
Lloyds Bank 11⅞ 98 £	100	92⅝	93⅛	+0⅛	-0⅝	12.71
Montreal Tst. 10¼ 93 C$	100	†98⅛	98⅝	-0¼	-0¼	11.27
Nat. Aus. Bk. 14¾ 94A$	100	†98½	99	+0¼	+0¼	15.11
New Zealand 9½ 93 £	100	90¼	90¾	0	-0⅝	13.05
O.E.K.B. 10¼ 99 C$	150	†99¼	99¾	-0¼	-0⅝	10.32
Privatbanken 7½ 94 LFr	500	†97½	98½	0	+0⅛	8.05
Royal Bk.Scot.10⅛ 98 £	125	91⅝	92⅛	+0¼	-0¼	12.20
Saskatchewan 9⅞ 91 C$	150	†97⅞	97⅞	-0¼	-0¼	11.44
Saskatchewan 10¼ 93 C$	200	†98⅝	99⅛	-0¼	-0½	10.53
State Bk.NSW. 13⅝ 93A$	100	†95⅝	96⅛	+0¼	+0¼	15.22
Sweden 7½ 93 Ecu	250	93¾	94¼	+0¼	-0¼	9.37
Sweden 15 94 A$	100	†101⅞	102⅞	+0¼	+0¼	14.24
Toyota Mtr.Cr.11⅞ 92C$	150	—	—	—	—	—
World Bank 7⅛ 99 FL	300	94¼	94¾	0	-0⅛	7.98
World Bank 13⅝ 94 A$	100	†98⅞	99⅞	+0⅛	0	13.70
World Bank 14¼ 94 A$	75	99¼	99¾	+0¼	+0¼	14.35
Zentrspk. 13¼ 93 A$	75	†95½	96	-0⅛	+0¼	14.73

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.72	99.77	24/01	15.21
Bank of Greece 99 US	0¼	99.74	99.84	8/03	9¼
Belgium 91 US	0	100.21	100.31	21/02	8.81
Chelt.& Gloucester 94 £	.063	99.70	99.75	30/11	14.06
Credit Foncier 98 US	.063	99.86	99.96	20/04	8.31
Dresdner Finance 99 DM	.031	99.91	100.01	28/01	8.16
EEC 3 92 DM	0	100.00	100.10	22/02	6¾
Halifax BS 94 £	.1	100.05	100.10	9/02	15.16
Invt. in Industry 94 £	0⅛	99.95	100.03	24/11	14.06
Leeds Perm. B/S. 94 £	0⅛	100.03	100.08	15/01	15.37
Milk Mkt.Brd. 5 93 £	0⅛	99.77	99.82	29/12	14.94
New Zealand 5 97 £	.07	100.00	100.10	22/11	14
Northern Rock 92 £	0⅛	99.82	99.87	20/01	5¼
State Bk. Nsw. 98 US	.188	100.00	100.10	11/02	8.81
Woolwich Equit. BS. 93 £	0⅛	99.89	99.94	15/01	15.37
Woolwich 5 95 £	0⅛	99.88	99.93	21/11	14.06

Average price change... On day -0.01 on week -0.03

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	6/87	62.	114⅝	115⅞	-0⅛	2.88
Amer. Brands 7¾ 02 US	9/87	56.7	121⅞	122⅞	+0⅞	-0.71
CBS. Inc. 5 02 US	4/87	200.	103	104	-0⅛	3.43
Dai-Ichi Kan. 3⅞ 04 US	7/89	3486.	98⅛	99⅝	+0⅜	4.13
Primerica 5½ 02 US	4/87	66.75	73¾	74¾	-0⅞	76.87
Eng.China Clay 6⅞ 03 £	9/88	4.8	85	86	+0⅛	7.72
Fujitsu 3 99 US	5/84	1106.	210	211	+3	-0.72
Ladbroke5¼ 04 £	6/89	7.1	99½	100½	-0¼	139.86
Land Secs. 6¼ 02 £	6/87	6.72	84	85	+0¼	11.17
Minolta Camera 2¼ 94DM	*2/86	1004.	105⅛	106⅛		8.30
MCA INC 5⅛ 02 US	9/87	69.62	103⅛	104⅛	-0⅛	9.35
Mitsubishi Bk. 3⅞ 04US	5/89	3266.	92	93	+0⅛	4.18
Next Plc 5¼ 03 £	11/87	4.3	94½	95½	-0¼	331.70
Nichi Sipp.Bk. 2⅞ 03US	4/88	804.				
Omnicom Inc. 6 1/2% 04 US	10/89	28	102⅛	103⅛	+0⅛	19.66
Onron Tateisi 2⅞ 02 US	4/87	1310.	282⅞	283⅞	+1⅛	-0.97
Ranks Hovis 4¼ 03 £	1/88	3.5	120	121	0	0.56
Redland 7¼ 02 £	†1/87	5.4	98	99	-0⅛	2.88
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	91	92⅛	-0⅛	33.90
Silicon Graphics 8 04 US	6/89	23.18	114⅛	115⅛	-0⅞	12.00
Sumitomo Bank 3⅛ 04 US	2/89	3297.	92⅛	93⅛	-0⅛	5.91
Texas Inst. 2⅞ 02 US	9/87	82.67	75⅛	76⅛	+0⅛	[illegible]
Utd.N'papers 8 04 £	10/89	8.77	104⅛	110⅛	0	107.53
W.R.Grace 6¼ 02 US	9/87	42.12	89⅞	90⅛	-0⅛	34.02

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Water issue helps change foreign trading in Japan

By Deborah Hargreaves

THE UK'S WATER privatisation issue is partly responsible for rolling back the barriers to trading on Japanese capital markets for foreign companies.

Daiwa, the lead underwriter for UK water shares in Japan, has negotiated rules for a share placement which changes the way mid-sized overseas firms will have access to Japanese capital.

The Japanese Ministry of Finance has made provisions for a public offering without a listing, so changing the regulations governing foreign companies' access to Japanese investors.

More than 70 per cent of Japan's allocation of UK water shares will be placed with retail investors, although the water companies will not be listed on the Tokyo Stock Exchange.

The new rules were introduced in June following six months of negotiations between Daiwa and the MoF. Before then a foreign company could only raise capital in Japan either through a private placement of shares or by adhering to a set of rigorous criteria for a listing on the Tokyo Stock Exchange.

A private placement would find access for shares among only 50 of Japan's institutions, but a full listing on the TSE was available only to large overseas firms.

The new technique will make it easier for mid-sized companies to offer shares in Japan, as it demands only that the company be listed on its home Stock Exchange – which must be an OECD market – and that the company's earnings per share must be 20 per cent of the shares' nominal value prior to the offering.

The water privatisation issue will be the second offering to take advantage of the new rules, following an American issue made by Nomura last month.

It will pave the way for the UK electricity supply industry to follow the same route when it is privatised.

Mr Peter Parsons, who is handling the issue at Daiwa, says many mid-sized companies had been daunted by the stringent listing requirements of the TSE and will find the method an easier way to tap the huge capital pool in Japan. Large companies will still find a listing important to achieve visibility and status in the Japanese market.

Some 10 per cent of the overseas allocation of UK water shares will be offered in Japan as part of a package of the 10 water companies being privatised. The offering is due to begin on December 7.

Japanese firms named as market makers

By Stephen Fidler, Euromarkets Correspondent

THE BANK of England has increased the number of approved market makers on its Ecu Treasury bill programme and added for the first time two Japanese names, reflecting apparent progress in a long-running dispute between the British and Japanese authorities.

It added Bank of Tokyo Capital Markets and Nomura International to the list, with Chase Investment Bank and First National Bank of Chicago. It brings to 29 the number of market makers for a market which totals only Ecu2.7bn.

One firm, Alexanders Discount, was removed from the list, the fourth withdrawal from the market since it opened in October 1988. The others were J.P. Morgan, Bank of Scotland and Morgan Grenfell.

Technically, the decision to add other market makers reflects the track record of the companies dealing in Ecu treasury bills. However, it probably also reflects progress on the disagreement over the denial of membership of the Tokyo Stock Exchange to two British firms, Barclays de Zoete Wedd and James Capel.

Progress was reported on the issue when Prime Minister Mrs Margaret Thatcher visited Tokyo in September. Earlier this month, further advances were made during discussions in Tokyo between officials of the UK Treasury and the Department of Trade and Industry with the Japanese Ministry of Finance.

Another issue thought to be tied to that of BZW and Capel is the upgrading to branch status of the London representative offices of some regional Japanese banks.

No announcement on this has yet been forthcoming from the Bank, which says that no applications have been received.

Mr Koichi Kane, president of Nomura International, said his firm "will now seek to further expand its investor base for this product and enhance market liquidity."

China opens Ka Wah bank office in London

By David Lascelles, Banking Editor

CHINA is hoping to strengthen its commercial ties with the UK by opening a representative office of the Ka Wah Bank in London.

Ka Wah, which is a Hong Kong registered bank, is 70 per cent owned by the China International Trust and Investment Corporation (CITIC), China's most active overseas investment institution.

Mr Chen Xiao-Ping, who will head the office, said the opening demonstrated China's interest in increasing financial links with Britain despite the Tienanmen Square incident last summer. He said Ka Wah hoped to upgrade the office into a full branch after completing the necessary Bank of England probationary period.

China is already represented in London through a branch of the Bank of China.

CITIC bought Ka Wah after it nearly went bankrupt in 1985. Since then it has nursed Ka Wah back to health bringing it into profit last year.

Norway in liberalisation

By Karen Fossli in Oslo

NORWAY took a step further in liberalising its capital market yesterday by allowing foreigners to issue krone bonds.

The move follows an initial deregulatory step in early May when the authorities opened the way for foreign investment in Norwegian bonds.

This month the Nordic ministers of finance agreed to dismantle the remaining restrictions on capital flows between the Nordic countries by July 1990.

Until yesterday only domestic institutions could raise loans in the Norwegian bond market. Applications for issues of domestic debt securities will be approved case-by-case by the Ministry of Finance.

The Norwegian bond market was closed to foreigners in 1984 because of government fears that outside investors were taking too large a slice of the market and endangering interest rate stability.

Mr Tom Skjaerstad, an executive with Norse Securities, said that, though the liberalisation was another step in the right direction, it remained "only a step" towards opening the market completely. Mr Skjaerstad said that with current long bond yields ranging between 11 and 11.5 per cent, foreign interest in issuing krone loans was likely to be less than enthusiastic.

Australian bank buys Wallman

By Stephen Fidler

STATE Bank Victoria, Australia's fifth largest banking group which is owned by the Government of Victoria, said yesterday it had agreed to acquire immediately the business of Wallman International, a Eurobond market maker based in London.

The bank said this represented a step in its strategy of achieving global distribution capacity for Australian dollar-denominated securities. The firm will provide it a distribution capacity to European investors to complement its domestic securities, it said.

Sentiment holds up in thin trading

By Andrew Freeman

GERMANY WAS CLOSED, and many traders were anticipating today's Thanksgiving holiday in the US, as the Eurobond market experienced a very light session. There was little new issue activity, while secondary markets saw prices left little changed by thin turnover.

INTERNATIONAL BONDS

Nevertheless, sentiment among syndicate managers continued to improve as it emerged that more borrowers were deciding not to launch deals into the vulnerable dollar sector.

There was speculation that Compagnie Bancaire had postponed an issue, and the failure of Swedish Export Credit to decide terms on a substantial dollar deal meant that Bankers Trust's experiment with syndication procedures was put on hold.

ScotiaMcleod was the lead manager of a C$75m issue for Banque Nationale de Paris which will be fungible with an existing C$150m deal brought in January this year. The bonds carried an 11¼ per cent coupon and were priced at 100.775 plus accrued interest. The yield of approximately 47 basis points over the interpolated Canadian government issue was in line with the existing paper.

The lead manager said the deal was largely placed into long-term accounts and that the new tranche would not be actively traded. Away from ScotiaMcleod, the paper was quoted outside full fees at 99½ bid, with dealers commenting that it was struggling. Proceeds were swapped, but no details were available.

BNP Capital Markets brought an Ecu50m two-year deal with a 10¼ per cent coupon for Interfinance Credit National. The bonds were quoted on fees at less 1¼ bid, and BNP said it was an issue aimed at retail accounts. Proceeds were swapped, but BNP would not elaborate.

Very late in the day, J.P. Morgan launched an Es15bn two-year deal for Eurofima with a 15¼ per cent coupon.

In Switzerland, a SFr80m deal for Nikkatsu Corporation was launched late in the day by Swiss Bank Corporation. Nikkatsu is an established film production and distribution company which recently diversified away from pornographic films into videos of old films, and real estate.

The seven-year bonds offered a 6⅛ per cent coupon and were priced at par.

Initial price indications suggested the paper was trading outside fees at less 2¼ bid, although market conditions were very quiet.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
CANADIAN DOLLARS						
Banque Nat. de Paris(a)♦	75	11¼	100.775	1992	1¼/⅞	ScotiaMcLeod
ECUs						
Interfinance Cr.National(b)♦	50	10¼	101.70	1991	1¼/⅞	BNP Capital Markets
SWISS FRANCS						
Nikkatsu Corp.(c)★★♦	80	6⅛	100	1996	1⅞	SBC
ESCUDOS						
Eurofima(b)♦	7bn	15¼	100	1992	1¼/1	J.P. Morgan
YEN						
Leeds Permanent B.Soc.(b)♦	15bn	6⅞	101⅛	1993	1⅞/⅞	Daiwa Europe

★★Private placement. ♦Final terms. a) Fungible with existing C$150m deal issued in January. Non-callable. Issue price plus accrued interest. b) Non-callable. c) Call from Dec.1992 at 102¼ declining ¼% semi-annual thereafter.

Treasuries on hold for the long weekend

By Janet Bush in New York and Rachel Johnson in London

US TREASURY bonds moved modestly higher yesterday morning in very quiet pre-Thanksgiving trading, showing little reaction to yesterday's October durable goods order figures.

GOVERNMENT BONDS

At midsession, the Treasury's benchmark long bond was quoted around ⅜ point higher for a yield of 7.87 per cent. Short-dated maturities were also ¼ point higher, possibly in a mild reaction to a soft Fed funds rate, which was trading at 8⅝ per cent at midsession.

Durable goods orders fell by 0.6 per cent in October, much less than the 2 per cent drop forecast by analysts. However, this number was counterbalanced by September's 0.2 per cent gain in orders, which was revised to a 1.1 per cent downturn.

The Commerce Department said that large swings in defence orders had influenced the overall figures in both September and October.

The Public Securities Association, which oversees the bond market, was considering yesterday morning whether to officially close the market early. Because of Thanksgiving there is no trading today.

■ UK GOVERNMENT bonds outperformed the pound yesterday, moving up to ⅝ higher after hours while sterling sank to DM2.83, a fall traders blamed on a strong D-Mark and weak nerves ahead of today's UK trade figures.

Explanations for gilts' steadiness amid currency weakness were various. Some decided that gilts and sterling no longer marched in step, which would explain gilts' "amazing" resistance; others thought firmness in gilts was due to technical reasons, notably a thin market.

Earlier this week, following the pound down, the benchmark Treasury 11¾ due 2003/07 was trading at 109.10. During the week, it moved higher, to close at 109.16 on Tuesday and 110.02 after hours yesterday.

Another explanation for gilts' performance was from a sterling bond trader at Barings. He said the Treasury not raising interest rates despite a slipping pound pointed to no rise in the immediate future.

"On the day of the last interest rate rise, the trade weighted index was at 90.8. It's now at 87.3, and rates should have gone up to protect sterling. They haven't," he said.

Today, when the trade figures hit the market, gilts may come out of their cocoon.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	8/92	103-28	-1/32	11.83	11.57	11.52
		9.750	1/98	94-11	+0/32	10.81	10.67	10.52
		9.000	10/08	92-27	+5/32	9.84	9.74	9.64
US TREASURY *		8.000	8/99	100-24	+9/32	7.89	7.87	7.95
		8.125	8/19	102-16	+0/32	7.90	7.87	7.97
JAPAN	No 111	4.600	6/98	94.4792	+0.056	5.55	5.48	5.39
	No 2	5.700	3/07	101.3251	-	5.55	5.52	5.24
GERMANY		6.750	6/99	95.7000	+0.200	7.39	7.40	7.02
FRANCE	BTAN	8.000	7/94	93.6835	+0.175	9.67	9.52	9.26
	OAT	8.125	5/99	93.7100	+0.010	9.13	8.98	8.62
CANADA *		9.500	10/99	98.8750	-0.675	9.69	9.44	9.46
NETHERLANDS		7.250	7/99	96.1400	+0.100	7.83	7.75	7.44
AUSTRALIA		12.000	7/99	92.7035	+0.001	13.36	13.32	13.64

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal.

Technical Data/ATLAS Price Sources

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	57	20	25
Corporations, Dominion and Foreign Bonds	10	1	31
Industrials	211	544	844
Financial and Properties	147	143	387
Oils	21	38	34
Plantations	3	0	6
Mines	51	27	88
Others	52	107	89
Totals	552	880	1,504

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

LONDON TRADED OPTIONS

FIXED INTEREST

TRADITIONAL OPTIONS

● First Dealings	Nov 6	
● Last Dealings	Nov 17	
● Last Declarations	Feb 8	
● For settlement	Feb 19	

For rate indications see end of London Share Service

Calls in British & Comm., S.W. Wood, Tuskar Res., Amstrad, Aviva Pet., Bristol Channel Ship Rep., LIT, Rosehaugh, Kelt Energy. Put and call in Amstrad.

UK COMPANY NEWS

Outcome exceeds expectations in spite of mixed divisional fortunes

RHM grows 13% to £177m

By Nikki Tait

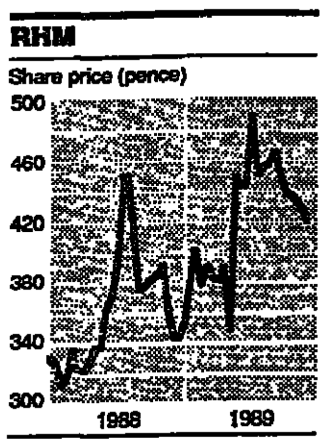
RANKS HOVIS McDougall, the food and bakeries group in which Sir James Goldsmith's Sunningdale consortium holds a 29.9 per cent stake, yesterday revealed a 13 per cent rise to £176.5m in pre-tax profits in the year to September 2.

The profit, which compared with £156m in the previous 12 months, was made on sales of £1.79bn, up 7 per cent on 1987-88. Earnings per share, after a 29.5 (30.7) per cent tax charge, rose from 30.5p to 34.4p.

The result was marginally ahead of analysts' expectations but the shares eased 2p yesterday to 422p. The final dividend is 8.92p which lifts the total from 10.61p to 12.74p.

Mr Stanley Metcalfe, chairman, said he was reasonably pleased with the figures, pointing out that they had been earned in a year when the combination of a mild winter and a hot summer was disadvantageous to most of the businesses – the juice and soft drinks interests aside.

Food scares did not affect any products directly, although there were knock-on effects for the likes of the Paxo stuffing business and chilled foods.



Results for the first two months of the current year were ahead of 1988-89, and Mr Metcalfe was "reasonably confident" about future prospects.

A breakdown of the latest figures did, however, reveal differing fortunes between the group's various interests. Two divisions saw profits reduced: cakes and confectionery fell from £26.8m to £24.6m, while food services dipped from £24.2m to £22.3m.

On the cakes side, Manor Foods saw improved figures, the reductions coming from Heinzel, hit by price competition on frozen gateau, Avana Bakeries, which been shifting its product range, and OP Chocolate.

On food services, the reduction partly reflected the sale of peripheral interests but subsidiaries again saw differing performances. The Chesswood mushroom business was hit by overcapacity in the industry, but RF Brookes, the recipe dish subsidiary, fared well despite the food scares, as did the catering supply operations.

The largest division – milling and baking – showed a 15 per cent profits increase at £67.1m. Despite a 2 per cent fall in the bread market, RHM's share held at 31 per cent. Elsewhere, grocery products made £42.8m (£34.3m), while the US interests turned in £13.6m (£8.3m) and the Pacific region £17.9m (£16m). There was also a sharp increase from other operations, largely property, at £14.8m (£6.7m).

The interest charge goes up from £18.6m to £26.6m. Year-end borrowings were £384.3m (£119.7m), but the sale of the stake in Goodman Fielder Wattie has since brought in £151m. Below the line, there was a £59.7m extraordinary charge – abortive costs on the Goodman Fielder bid amounting to £57.7m and closure costs totalling £13.6m.

RHM, which introduced controversial "brand accounting" last year, has added another £26m to the valuation in the wake of the year's acquisitions, and another £36m for existing brands in the wake of an overall review. The figure now stands in the balance sheet at £740m (£678m).

RHM stressed yesterday that European expansion formed part of its strategy, and that "fortress UK was not a strategy" – although Mr Metcalfe also suggested that a major acquisition on this front was not likely in the short-term. With regard to the Sunningdale stake, he said only that matters remained "friendly", and that there had been a number of meetings.

See Lex

Medirace pays £87m for Evans Healthcare

By Vanessa Houlder

MEDIRACE, the Third Market medical research and diagnostic products company, yesterday announced the £87m acquisition of Evans Healthcare, a private UK pharmaceutical company.

The deal will more than triple the size of Medirace, which was started up just over two years ago, and will greatly broaden its product base.

Medirace was founded in 1987 to research and develop an Aids and cancer treatment, called Contracan. It later expanded through the acquisitions of Cambridge Life Science and Walker Laboratories, makers of clinical diagnostic products.

Evans Healthcare, which was formed from a management buy-out from Glaxo in October 1986, makes generic drugs and branded products which include Mycil, the athlete's foot ointment, Dequacaine and Nylax. It also makes human vaccines including BCG, measles, influenza and tetanus vaccine. Its business offers a certain overlap with that of Medirace in that it is sponsoring clinical trials on the effectiveness of a BCG vaccine in treating bladder cancer.

It made an operating profit of £5.2m on turnover of £43.7m in the year to June 1989. Its management will remain in place following the acquisition.

Medirace said its aim was to create a medium-sized, multi-faceted pharmaceutical and medical products companies, maturing over the next few years.

Medirace will seek an official listing following the completion of the deal when it expects to have a market capitalisation of about £130m.

The offer will be financed by a rights issue that has been conditionally underwritten by Lang and Cruickshank and TC Coombs. The size of the rights issue will depend on whether Evans' directors and institutional shareholders accept cash or shares.

As a result of the acquisition, dealings in the shares have been suspended at 127p.

Strong all-round growth lifts Whitbread 16% to £128.5m

By Philip Rawstorne

STRONG PERFORMANCES in in all parts of the business – retailing, beer, and wines and spirits – lifted pre-tax profits at Whitbread by 16 per cent to £128.5m in the six months to August 26.

With fully diluted earnings per share improving from 17.83p to 21.12p, an increase of 18 per cent, the results matched the most optimistic City forecasts.

Mr Peter Jarvis, group managing director, said that in spite of pressure on consumer spending, the opening months of the second half-year had been encouraging. "There are strong indications that market share gains continue to be made in many important areas" he said.

Group turnover increased by 9.9 per cent to £988.5m – after stripping out inter-divisional sales of £64.7m – and comprised contributions of £547.3m from retailing, £381.1m from beer, and £144.8m from wines and spirits.

Retailing profits were up by 17 per cent to £58.4m. Whitbread Inns, the managed public house division, expanded profits by 20 per cent. Food sales were up 30 per cent and drinks turnover 16 per cent higher.

Profits from brewing were £65.9m, up 11 per cent, and beer volume was "significantly ahead" of total market growth of 1.5 per cent during the hot summer.

Trading profit in the wines and spirits division increased by 18 per cent, much of it attributable to James Burrough Distillers, which is now up for sale.

The interim dividend is raised from 3.25p to 3.8p.

● COMMENT

The market does not yet seem to have taken account of the hard work put in by Whitbread over recent months to restructure the company, focus its business strategy, and remove or reduce problem areas. The sale of the wines and spirits division should be completed before Christmas, bringing in an estimated £550m. Retailing activities – in which £110m has been invested over the past six months – are expanding across a range of outlets in the UK, the US, and France, where up to 400 Pizza Huts will be built in the next few years. Only Threshers, the High Street wine shop chain, where turnover growth was restricted to 6.5 per cent, as yet shows any signs of the effects of the squeeze on consumer spending. Its beer brands are outperforming the market – and Boddington's is only just being brought into the portfolio. In spite of tougher trading conditions, City analysts are looking for full year profits of £253m, giving earnings per share of 39.6p and a prospective p/e of 9.3. That would put Whitbread at a premium to the industry leader, Bass.

Marston Thompson rises 17%

By Graham Deller

MARSTON THOMPSON and Evershed, the Burton-based brewer renowned for its Pedigree cask-conditioned ale, yesterday unveiled a 17 per cent expansion in interim profits.

And Mr Michael Hurdle, chairman, said the second half had so far met the board's expectations.

In the six months to September 23 1989, pre-tax profits rose to £9.04m (£7.69m) on sales ahead 16 per cent to £45.19m (£38.92m). Property sales put in £638,000, down from £818,000 last time.

Mr Hurdle said sales volumes were helped by strong growth in the wines, spirits and minerals side. Lager volume expanded by 7 per cent, reflecting increased emphasis on the Heineken and Stella Artois brands, which are brewed under licence by Whitbread, and have now replaced Marston's own Marcher lager in the group's houses.

He stated that the arrangement begun last December for Whitbread to distribute Pedigree nationally had been "beneficial" to sales of the premium bitter.

During the period, 11 houses were transferred to management control, a number expected to rise to 30 by the year end. The five Tavern Tables outlets traded above expectations, Mr Hurdle said, and another five units were scheduled to open during the second half.

An interim dividend of 1.11p (0.94p) is payable from earnings of 6.86p (6.04p) per share.

Fraser/Dewey reversal aborted

The agreed plan to reverse Robert Fraser, the private merchant bank, into Dewey Warren, the shell company with cash reserves of £50m has collapsed, writes Ray Bashford.

Ten weeks after announcing agreement on the deal, directors of the companies yesterday said it had been scrapped "in the interests of the shareholders of both groups".

The decision has left the way open for the directors of Dewey Warren to put the company up for sale and advisers have been appointed to find a buyer.

The terms of the deal were £20m in convertible unsecured loan stock in Dewey Warren and £1m cash.

The official reason for the failure of the deal is that expectations for smaller financial and property businesses which are Robert Fraser's principal areas of operation have lowered, altering the prospects for the combined group. However, directors added that the Robert Fraser's operations have so far been unaffected.

Reed Intl paying $304m to expand legal publishing side

By Raymond Snoddy

REED INTERNATIONAL, the international publishing and information group, returned to the acquisition trail yesterday with a $303.7m (£193.4m) agreed bid for Martindale-Hubbell, a private US company specialising in legal publishing.

Martindale-Hubbell is best known for an eight-volume directory listing the background of 700,000 lawyers and 44,000 law firms, mainly in North America, together with digests of selected state and federal laws.

The directory also includes a system in which lawyers are rated by their peers.

Mr Peter Davis, chief executive of Reed International, said yesterday that Reed had been talking to Martindale-Hubbell for about 10 years.

The company became available because its owners – Mr Richard Carolan, a stepson of the founding family, and his wife – have decided to retire.

In 1988 the company made pre-tax profits of $14.9m and an increase of between 10 and 15 per cent is forecast for this year.

Mr Davis said yesterday that the acquisition offered Reed "a unique opportunity to expand our subscription-based information publishing for the legal market, which we know well and where we are under-represented."

Reed plans to pay for the acquisition largely through US dollar borrowings. Until this deal Reed's borrowings totalled about $250m following its restructuring into one of the world's top 10 publishing groups.

Reed sees considerable room for savings following the completion of the acquisition. Martindale-Hubbell, which employs 363 people, will be merged with a newly formed subsidiary of Reed Publishing USA – which will also include an existing Reed business, RR Bowker, a specialist in bibliographic products.

Mr Ira Siegel, president and chief operating officer of RR Bowker, will also be appointed president and chief operating officer of Martindale-Hubbell.

Reed legal publishing interests in the UK include Butterworths and Reed sees opportunities for extra international Martindale-Hubbell sales through co-operation with Butterworths.

Mr Davis declined to be drawn on whether European rating of lawyers by their peers was a possibility.

The market reacted favourably to the Reed deal and the share price ended the day up 9p at 410p.

SA brothers sell stake in SW Wood

TWO SOUTH African brothers, Robin and Nigel Matthews, have sold out of SW Wood, the loss-making metal trader, just seven months after they took a 26.7 per cent stake together with a group of institutions, writes Vanessa Houlder.

The sale agreement follows Tuesday's announcement that Wood plunged £1.9m into the red in the six months to September 30.

The brothers are selling their 3 per cent stake to Mr Peter Rae, the managing director, for 127p per share. That is substantially more than the current share price, which yesterday fell a further 8p to 49p. In addition he has agreed to buy another 1.3 per cent stake from the Matthews' family trusts, bringing his holding up to 17.1 per cent.

Mr Robin Matthews, chairman, said the sale of the stake was necessitated by the changes in their personal circumstances, given that Wood's share price had fallen from 160p since they bought into the company.

UK COMPANY NEWS

Third quarter 'on course' with 21% rise to £448m

BAT INDUSTRIES, the tobacco-based conglomerate which has been under bid threat from Sir James Goldsmith's Hoylake consortium, yesterday announced a 21 per cent increase to £448m in third quarter profits before tax. It added that it was "firmly on course" to make the forecast £2bn in the full year, writes Nikki Tait.

The third quarter rise means that BAT has now made £1.23bn before tax in the first nine months of 1989, compared with £1.05bn in the similar period of 1988. Turnover during this period, at closing exchange rates, was £14.82bn (£12.33bn), and earnings per share at this stage stand at 47.25p (40.77p).

The third quarter figures were in line with analysts' estimates, and BAT shares eased 2p to 778p yesterday. The conglomerate, which won shareholder approval for a share buy-back programme and major restructuring earlier this autumn, is now free to recommence buying in its equity. Its brokers are believed to have made some very modest purchases yesterday.

Mr Patrick Sheehy, BAT chairman, said yesterday that the restructuring was "proceeding on schedule". BAT expected that the separate demergers of its paper interests and the Argos retail business would be completed by mid-1990. Disposals of certain other interests – in particular, the US retail businesses – should also be announced by this date, "subject to conditions in the market".

Profits from the original tobacco business rose to £587m in the nine month period, 5 per cent higher than a year ago, with sales standing at £5.49m (£4.93m). BAT said that in the US, Brown & Williamson improved strongly in the third quarter, although trading profit for the nine months was slightly lower. Economic uncertainties caused a weakening of Latin American profits, but BATco fared well as did West German and Canadian interests.

On financial services, profits were £598m (£336m), with Farmers, the Los Angeles-based insurer finally acquired in January, contributing £205m. Eagle Star turned in £263m, an increase of £33m, while Allied Dunbar made £73m, up 19 per cent. BAT stressed again that it expected Farmers to make a positive contribution in the current year after financing costs.

The paper and pulp division saw trading profits static at £155m (£156m), with Appleton doing well but Wiggins Teape hit by competition in the European carbonless paper market.

Trading profits from the retail businesses were up from £43m to £57m, although the final Christmas quarter is clearly the most significant. Profits at the UK Argos chain were up 15 per cent, and in the the US, both Saks and Marshall Field's showed "strong" trading profit improvements.

The share of profit from associated companies was £157m (£132m) in the nine months, while investment income slipped from £131m to £86m. Interest charges were £299m (£157m).

Below the line, there is a £193m extraordinary gain, arising from the Amatil restructuring. The defence costs arising from the Hoylake bid have not been charged in these figures.

A second interim dividend of 10.3p has been declared.

An ill wind that brought an unkind touch of irony

Nikki Tait on the latest hiccup facing Sir James Goldsmith over his plans to gain control of BAT

IT IS an unkind irony, after all the Takeover Panel's strictures to BAT about the sins of frustrating action last summer, that the illness of an ally has been the latest hiccup in Sir James Goldsmith's plans to gain control of the tobacco-based conglomerate.

Hearings before the US state insurance commissioners of applications from both Hoylake and Axa-Midi, the Paris-based insurance group, to take over Farmers Group, BAT's US insurance subsidiary, had originally been scheduled to take place in Illinois, Arizona and Idaho this month and next. Approval from nine state commissioners is essential if a renewed bid is to go ahead.

Arizona was the first casualty. The department – whose hearing officer is due to have a baby shortly – ruled last week that it needed more details of any potential Hoylake offer before it could assess the impact on Farmers.

Sir James and Axa, which has been lined up as the potential buyer of Farmers if Hoylake does make a successful bid, duly obliged with new information based on a hypothetical bid. Arizona said yesterday that this was being reviewed, but no new hearing date had been set.

Then, last week, Axa's charismatic chairman, Mr Claude Bébéar, underwent heart surgery in Paris. As a result, his US lawyers have persuaded the Idaho and Illinois commissioners to postpone hearings until the New Year. Only the Hoylake portion of the Illinois hearing will proceed as planned this month.

All this suggests that the struggle, in terms of any significant new moves, is likely to stagnate over the Christmas and New Year period. That, some of the state insurance department offices admit privately, is a "consummation devotely to be wished". "I'm just sick of opening new boxes of papers," admitted one harassed local official this week.

Instead – and predictions are dangerous in this game – the tentative timetable is now likely to start with the California hearing on January 16. The Axa portion of the Illinois hearings has been scheduled for the previous day, but participants suspect this may shift.

Hearings would probably then move on to Washington and Oregon – where postponements have still to be granted – and Idaho. Commissioners in four other relevant states – Texas, Ohio, Kansas and Arizona – have yet to schedule hearings. Hoylake/Axa need clearances in all nine states; if anyone objects, the battle could shift to the law courts.

However, before returning the matter to the back-burner, shareholders might reflect on what the New Year could bring.

The Arizona objections, which followed prodding by Farmers' counsel over the "sufficiency" of the Hoylake's filing, have a nasty air of "catch-22" about them.

On the one hand, Hoylake can scarcely spell out future bid details for a target which is restructuring anyway.

On the other, despite Hoylake's best efforts to separate its own offer for BAT from the Axa purchase of Farmers, it is a fact that Axa will subscribe $1bn for a 15 per cent interest in Hoylake.

As the Hoylake/Axa camp points out, if Hoylake makes a successful bid for BAT, this is scarcely going to be an unmarketable holding in a small company. Nevertheless, the potential investment does allow Hoylake opponents to argue that Axa's health is, to some extent, dependant on the consortium's bid plans.

Assuming this hurdle is negotiated – common-sense suggests that it should be – there are a host of other arguments in waiting. As US experts point out, the commissioners' concerns will rest solely with the welfare of Farmers and its policyholders. Hence, the managerial and financial plans of Axa for Farmers assume a crucial role.

On this score, documents already filed but given little public airing have been revealing. On the financial front, for example, Axa's total funding needs to amount to $5.5bn. Of this, the French company has indicated that some $3.24bn would come principally from the sale of non-insurance assets and securities held by a variety of companies within the broad Axa group, and $2.25bn from a 10-year syndicated bank loan. The latter slug would be repaid with "the proceeds of ordinary dividends from Farmers".

Axa has gone to some lengths to stress that this should not be seen as a leveraged offer, with post-acquisition gearing – in the context of the group overall and before including operating borrowings by the bank subsidiaries – put at under 100 per cent.

But it has also stated that dividends taken from Farmers non-life and life companies will amount to 75 per cent of Farmers net income. This, Axa points out, reduces to less than 50 per cent once the income of the insurance exchanges which Farmers manages – and which clearly could not be used to fund the debt – is added to the US group's own income. But BAT has been quick to note that its own dividend rate is only 35 per cent.

Farmers concurs that the financial structure of the offer, coupled with the tax and dividend implications arising, are its main points of concern. And, as BAT found to its cost when trying to acquire Farmers last year, the insurance commissioners are entitled to centre on "absence of benefit" when reviewing an acquisition. This, then, may well be a major battle-ground.

Paradoxically, the London market has preferred to focus on the Goldsmith financing, assuming that the collapse of the junk bond market in the US poses very considerable problems should Hoylake get the chance to mount a new bid.

The consortium, at least publicly, remains less than depressed on this score. Its "hypothetical bid" submission, for example, talks cheerfully about underwriting or placing senior debt with banking institutions to introduce a large cash element into the offer.

And the BAT restructuring, coupled with the Axa arrangements, are clearly relevant to the sums. Not only would $1bn come in by way of Axa's investment, but $4.5bn would be raised immediately afterwards from the Farmers sale. If the retail and paper businesses no longer form part of BAT, the scale of funds sought by Hoylake would diminish further. BAT suggested yesterday that the restructuring might be completed by mid-1990.

In fact, an accountants' model, drawn up as part of the Hoylake submission, suggests that if the full BAT restructuring had gone through and the maximum number of shares had been bought in, Hoylake's gearing post-acquisition would stand at 172 per cent.

This could reduce to 33 per cent as Hoylake sold the other non-core businesses over the next 12 months.

The final question must be whether Hoylake goes on pursuing the game, a recurring worry to the UK market. The idea of backing off seems to be played down within the predator's camp at the moment.

So far, the profit shown on the small BAT stake stands at around £25m, but costs have clearly been significant. That said, Axa has now contributed £50m to the Hoylake pool, and other supporters have also chipped in with £16m. Some consolidation of legal effort in the US also seems to have taken place.

In short, it could be anything but a peaceful New Year for all concerned.

Patrick Sheehy (left), chairman of BAT, and Sir James Goldsmith of Hoylake, the bidder

Downturn at LIT prompts sale of its stake in Levitt

By Peter Berlin

LIT HOLDINGS, the transatlantic financial services group, is to sell its 33 per cent stake in Levitt Group, the personal financial services group controlled by Mr Roger Levitt.

The decision follows a recent warning by LIT that it expects to report a deficit in the second half of the current year because of losses in its US futures and options brokerage and clearing operations.

Mr Christopher Castleman, chief executive of LIT, said the stake was being sold for strategic as well as financial reasons.

"Last year when LIT took a 25 per cent stake in Levitt we thought that the two companies could work together, make money together." It was now clear that there was no business advantage in holding the Levitt stake and that it was a very large investment for LIT in a company, control of which rested with single investor.

LIT placed a book value of £17.8m on the stake and Mr Castleman said: "I will be disappointed if we do not realise a premium." LIT would co-operate with Mr Levitt to find a suitable investor, he said.

Levitt Group said only that no decisions had yet been taken on the sale of the stake. Mr Levitt will give up his seat on the board of LIT.

Tubular Exhibition achieves £1.02m

INCLUDING the results of Black & Edgington, the Tubular Exhibition Group turned in pre-tax profits of £1.02m for the year to July 31 1989.

The group provides hospitality chalets for exhibitions and sporting events, temporary and permanent seating and crowd control barriers.

In the previous 16 month period profits of £1.03m were made.

Sir David Floyd Ewing, chairman, said that the acquisition of Black & Edgington emphasised the seasonal nature of the outdoor hire business.

That, coupled with the downturn in the economy and high interest rates, had restricted growth in the early part of the current year, but there was a substantial order book for 1990.

It was a £476,000 (£86,000) interest charge that made inroads into the 1988-89 profit figure, after the operating surplus and other income had moved up from £1.12m to £1.5m.

Turnover advanced to £6.72m (£4m).

Earnings per share worked through to 1.51p (1.81p) and the dividend is lifted from 0.4p to 0.5p on increased capital.

Setback for Bulgin

AF Bulgin experienced a reduction in turnover and profit for the half-year to July 31, and foresaw no improvement for the current half.

This maker of electronic and electrical components suffered subdued demand and a squeeze on margins caused mainly by higher raw material costs. As a result sales slipped to £6.42m (£6.62m), while pre-tax profit dropped nearly 49 per cent to £227,000 (£442,000). Earnings were 0.56p (1.02p).

Despite the current lull, the directors said prospects were excellent.

COMPANY NOTICES

THE COLNE VALLEY WATER COMPANY

NOTICE IS HEREBY GIVEN that the Books of Debenture Stocks will be closed for one day only on 6th December, 1989 for the preparation of Interest Warrants payable on 1st January, 1990.

Dated this 23rd day of November, 1989.

J.A. FENNELL
Secretary

Blackwell House
Aldenham Road
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UK COMPANY NEWS

Provisional details of textiles demerger outlined

Competition cuts into Courtaulds profit

Alice Rawsthorn

COURTAULDS, the industrial and chemicals group which recently announced its intention to demerge its textile interests, yesterday unveiled a fall in pre-tax profits from £98.1m to £85.6m for the first half of the year.

The decline reflects intense competition in Courtaulds' fibre and textile markets. The group also lost a £14m contribution from its South African woodpulp business, which was sold last summer.

But Courtaulds received an £11m contribution from a UK pension fund surplus. It should continue to benefit from the same level of contribution every half year for the next 10 years. After the demerger, the pension surplus will be "divided" between both Courtaulds companies.

Sir Christopher Hogg, chairman, said he drew confidence from the "robust" performance of the group and the improved quality of earnings. The interim dividend has been raised to 3.1p (2.9p). The shares rose by 1p to 344p yesterday.

Last month, Courtaulds announced proposals to spin off textiles as an independent company. The group's shareholders will be offered shares in Courtaulds Textiles, in addition to their holdings in the "new" Courtaulds, which will include the chemical and industrial interests.

The demerger is due to be presented for shareholders' approval in late February. Yesterday Mr Richard Lapthorne, finance director, outlined provisional details.

He envisaged a structure whereby Courtaulds Textiles would account for 26 per cent of operating and 20 per cent of the group's pre-tax profits. Both companies would have debt representing 33 per cent of capital employed, or gearing of just under 50 per cent.

Turnover rose to £1.36bn (£1.27bn) in the six months to September 30. Operating profits fell to £85.8m (£100.4m). Earnings per share fell slightly to 17.3p (17.7p).

The fibres division saw operating profits of £14m (£13m). A marginal loss in acrylic fibre was offset by strong growth from viscose and acetate. Textiles profits rose to £23m (£21m) because of the contribution from acquisitions.

Similarly the films and packaging division made static profits of £16m, as growth from high performance films was countered by a poor performance from Cellophane and delays in bringing a new polypropylene film line into production.

Chemicals and materials boosted profits to £13m (£8m) and benefited from a two month contribution from Product Research & Chemicals in the US. Coatings increased profits to £24m (£22m) despite pressure on margins from higher raw material prices.

● **COMMENT**

Courtaulds is a complicated company and its results are always difficult to unravel. This set of interims – with the woodpulp withdrawal and surprise pension surplus – is doubly so. The City had been bracing itself for a lacklustre set of results. Yet these figures suggest that the impact of rising raw material prices – combined with the continuing slump in fibres and textiles – made its performance rather poorer than expected. Courtaulds can cite lots of facts and figures to prove how much better it is coping in inclement conditions. Raw material prices are now more favourable, as are exchange rates, so it should fare rather better in the second half. The City expects profits of £190m for the year. But Courtaulds, in its current form, will have disappeared by the end of the year. Until the demerger details are signed, sealed and delivered, it is pointless to pontificate on how the profits will be split between the two companies, or on the progress of their respective share prices.

Ashley Ashwood

Sir Christopher Hogg: drew confidence from 'robust' performance and improvement in quality of earnings

Expanding Wyndham up to £1.45m

The expanding Wyndham Group, which has interests covering property investment and dealing, motor retailing and financial services, lifted turnover from £12.75m to £23.5m and pre-tax profit from £585,000 to £1.45m in the half year ended September 30 1989.

Mr Brian Brownhill, chairman, said the period had been active in all divisions with both future strategy and the current economic climate taken into consideration.

The strategy of establishing a strong asset base, with recurring income from property rentals and instalment credit would continue.

Earnings rose from 14.76p to 20.08p, or 34.51p including £840,000 extraordinary profit. The interim dividend is 2p (1.5p) on increased capital.

London Victory charter buoys LOFS profits

London & Overseas Freighters more than doubled profits from $335,000 to $742,000 (£472,600) in the half-year to September 30, aided by strong earnings achieved by the London Victory, one of its two oil tankers.

The directors said that the balance sheet continued to show a steady improvement. Debt had been reduced by $1.5m to $17.5m.

The timecharter of the London Victory to Chevron for two years at $14,000 per day had underpinned cash flow and profits, during a period when the market suffered volatile voyage rates, directors said.

The London Spirit, the company's other vessel, is trading on the spot market. They hope that expansion might soon be possible, financed from internal sources.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
BAT Industries	int	10.3‡	-	7.6	-	20.1
Cable &Wireless	int	3.1‡	Feb 28	2.82	-	7.98
Courtaulds	int	3.1	Jan 8	2.9	-	13
Marston Thompson	int	1.11	Jan 23	0.94	-	3.36
Radio Clyde §	fin	4.75	Feb 14	4	7.5	5.75
Ranks Hovis	fin	8.92	-	7.43	12.74	10.61
Shani Group	fin	2.4	Jan 19	1.6	4	1.81
Tubular Exhibit	fin	0.5†	Jan 12	0.4	0.5	0.4‡‡
Whitbread	int	3.8	-	3.25	-	12.55
Wyndham Group	int	2†	Apr 30	1.5	-	4.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡Carries scrip option. ‡‡For 18 months. ‡Second interim making 19.6p so far.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Anglo American Corporation of South Africa, Anglovaal, Bexbuild Development, Black Arrow, Boots, Calor, Chancery, Citygate Estate, Eastern Transvaal Consolidated Mine, Futurum Investment Trust, Grampian Television, IWP International, Powell Duffryn, Rothmans International.

Finals- Capital Radio, Morland, Rosebaugh, Scottish Investment Trust, Sidlaw.

FUTURE DATES

Interims-	
Berkeley Group	Dec. 11
Bristol Evening Post	Dec. 15
Hambros	Nov. 28
Premier Cons Oilfields	Dec. 5
Reed Executive	Dec. 5
Stanley Leisure	Jan. 18
United Industries	Nov. 30
Final-	
Dundee & London Inv Trust	Nov. 29

UK COMPANY NEWS

British Gas sees exploration providing earnings growth

By Steven Butler

BRITISH GAS has valued its exploration and production assets at more than £4bn, and said it holds 2.2bn barrels of oil and gas expressed in oil equivalent terms after deducting minority interests.

In outlining the company's future strategy, Mr Robert Evans, chairman, indicated clearly that British Gas expected future earnings growth to rely heavily on the oil and gas exploration side of the business.

He said the core gas distribution in the UK was relatively mature and future growth opportunities were constrained by the regulatory environment.

British Gas expected its annual production to increase from the present 25m barrels of oil equivalent to about 100m by the mid-1990s, and to between 150m and 200m by the end of the century.

Mr Evans said that while the UK continental shelf, which contained 90 per cent of the company's reserves, continued to offer potential, it would be looking overseas to reinforce its ability to supply customers. It was investigating opportunities to participate in exploration and production in the Soviet Union.

He also said that British Gas aimed to build US reserves of at least 500bn cu ft and achieve production of at least 50 bcf a year by means of organic growth, joint ventures and acquisitions.

The company planned to raise the proportion of oil in its reserves from the current 20 per cent by a strategy of searching for reservoirs containing 50m barrels or more in West Africa, the Middle East, south east Asia and the North Sea.

Cityvision and Blenheim moving to main market

By Vanessa Houlder

TWO OF the largest companies on the USM are planning to move up to the main market, following the Stock Exchange's proposals to merge it with the Third Market and relax some acquisition rules on the main market.

Cityvision, the video hire chain, expects its dealings on the main market to start on November 30. Blenheim Exhibitions Group, the exhibition organiser, also plans to make the transition shortly.

Mr Terry Norris, managing director of Cityvision, said the company's goal of moving up to the main market had been eased by the Stock Exchange's proposals. These will remove the requirement for companies on the main market to issue holders with a full circular for acquisitions of a certain size.

He added that the move was prompted by a reduction in the minimum trading record requirements for the USM from three to two years.

"We believe that the better companies on the USM will all tend to move up to the main market because the USM will effectively have merged with the Third Market and will include start-ups and companies with a two-year record", he said. In addition, he believed that marketability would be increased by a full listing.

Shami manages 13% rise in competitive conditions

SHANI GROUP, the USM-quoted designer and supplier of ladies' and children's fashion separates, reported pre-tax profits up 13 per cent from £2.22m to £2.51m on turnover down from £14.06m to £13.97m in the year to July 31.

Mr Martin Hollis, chairman, said that the advance had been achieved in the light of adverse trading conditions in the retail sector and aggressive marketing from competitors.

During the year the group completed its first two acquisitions: Peggy Page, a dress manufacturer and Karonsky Kids, a childrens clothing company. Both had now been fully integrated within the group and would enhance the product range, he said.

The year had also seen the formation of its first sales subsidiary abroad – First Choice Fashions, based in Düsseldorf, West Germany.

Earnings per 10p share rose to 11.3p (10.4p) and the final dividend is 2.4p to make the total 4p (1.61p).

Andaman seeks £0.9m for Irish exploration

By Jane Fuller

ANDAMAN RESOURCES, the gold exploration company traded on the Third Market, is aiming to raise £968,600 via a *two-for-three rights* issue at 50p per share.

Most of the money raised will be used for gold exploration in *County Mayo*, in the Irish Republic, where there have been some environmental protests at the prospect of mining in an area of *natural* beauty.

About two thirds of the 2.06m shares being issued are certain to be *taken up*, either by Laing & Cruickshank the underwriters, or by shareholders.

Among the shareholders is Glencar Explorations, Andaman's joint venture partner in the County Mayo project. It owns 24 per cent of Andaman's equity and has guaranteed to take up its entitlement to the issue in full.

Mr Bob Young, Andaman's managing director, said Glencar had also guaranteed to match the extra amount that it will put into the project. "The budget is to spend about £1.2m over the next two years."

The next stage in the assessment is to drill a further 8,000 metres to try to establish tonnages.

A geological report by Jay Mineral Services has said that the Creggaunbaun prospect in County Mayo "has substantial potential to develop into a major gold discovery."

On the environmental protests, Mr Young said the company would make sure that the site was out of sight of the main tourist areas and it would comply with all EC rules on environmental impact.

It would, in any case, be at least 18 months before a mining licence or planning permission were applied for. At present the partners just have an exploration licence.

Andaman will also spend *money from the issue on* its exploration programme in Spain, Portugal and Scotland. Its share price slipped 5p yes*terday to 61p*.

Radio Clyde advances to £1.95m

RADIO CLYDE, the USM-quoted independent radio station based in Glasgow, announced a 29 per cent improvement in pre-tax profits for the year ended September 30, 1989.

On turnover ahead 23 per cent to £7.76m (£6.29m) the taxable result was £1.95m compared with £1.52m. The figures included the group's share of the results of North of Scotland Radio since acquisition last December, which accounted for the increase in turnover. Also included was a share of profits of related companies, Scottish & Irish Radio Sales and Clyde Helicopters.

Directors said that since the year-end advertising revenue had shown encouraging growth. They believed that the company's financial and management strength would enable it to prosper in the less regulated, competitive environment which would develop following the Broadcasting Bill which was about to be published.

A final dividend of 4.75p is recommended making a 7.5p (5.75p) total for the year. Earnings per share amounted to 20.4p (16.8p) after tax of £672,000 (£540,000) and minorities of £10,000.

There was an extraordinary £84,000 credit relating to profit realised on disposal of an unlisted investment by Radio Clyde.

Swiss sights on Hestair for growth

A weak share price opens the door to Adia, reports John Ridding

WITH TYPICAL Swiss reserve, Adia, the world's second largest employment agency, described Monday's £167m offer for Hestair, a UK counterpart, as a "unilateral friendly bid."

But the swift and strong response from its target means that Adia has its first hostile bid on its hands as it tries to expand further its share of the UK temporary and permanent *staffing market*.

Adia already owns Alfred Marks, the high street employment agency. The addition of *Hestair's Atlas Employment* Agency, HMS and Hestair Computer Group operations would take its slice of the UK *market to about* 13 per cent, the same as Blue Arrow, the largest global international employment agency.

Mr Peter Muller, head of Adia's personnel services world-wide, says it has had its eye on Hestair for a number of years and that several approaches have been rebuffed. It appears to have struck now because of weakness in Hestair's share price and less buoyant market conditions.

Over the past year Hestair has suffered from what it described as "a distinct softening" in personnel agency markets in the north eastern US. Atlas, which operates mainly in London, has also suffered a downturn and there is a question mark over the group's consumer products activities due to the slowing UK economy.

Mr David Hargreaves, Hestair's chairman, counters that all of the players in that US region have suffered and that Atlas represents only about 6 per cent of the group's trading profits. "Elsewhere," he says, "results to the end of October are excellent." None the less, analysts have downgraded forecasts for the year to the end of January 1990 from about £25.5m to £23m, compared with £20.7m last time, and expect earnings per share to fall from 28.2p to about 27p.

Much of Adia's attack focuses on this downturn and what it regards as the deteriorating market prospects facing Hestair. But other companies in the sector have suffered worse. Reed Executive saw profits fall by 14 per cent last year and the sector as a whole has underperformed in terms of share price.

Given the more difficult market environment the question arises of why Adia should now be seeking to expand through the acquisition of Hestair.

Part of Adia's answer, as expressed by Mr Muller, is that whereas "Hestair lacks the strategic direction necessary to reverse these trends" it would benefit from being part of a larger international group. Adia also argues that only certain sections of the market seem to be experiencing difficulties. This is supported by the experience of Reed, which is concentrated in the south-east and has suffered from the growing skills shortage.

More important in Adia's thinking, however, seems the prospect of increasing its share of a market which has long-term growth potential.

Recent years have seen a trend towards the use of temporary staff and of agencies to screen permanent staff for corporate clients. In the US, for example, Adia's own figures show that between 1970 and 1988 the number of temporary workers as a proportion of total employment increased from 0.2 per cent to 1 per cent.

International comparisons also suggest growth potential in the major markets. Whereas temporary workers account for 2 per cent of the Netherlands' total active population, in the UK the figure is only 0.7 per cent.

On industry prospects at least, Hestair is in agreement. "There are obviously two forces at work; but the trend towards the use of temporary staff permits growth even in a slowing economy," says Mr Hargreaves.

While Adia has said that it will retain Hestair's employment agency subsidiaries as separate entities, potential benefits could still arise from a merger. "There are a number of ways in which synergy can arise," argues Mr Angus Blair at Kitcat and Aitken.

"Overheads can be cut through joint training and shared use of facilities such as computers." Hestair has itself aimed for similar cost savings through the integration of its US operations into Talent Tree.

Such reorganisation is small beer compared to the shifting corporate structure of Hestair as a whole. As recently as last year it counted Dennis fire engines, Duple coaches, Maclaren pushchairs and baby buggies, Kiddicraft toys and a range of consumer stationery among its products. Dennis and Duple are now gone, following the £31m sale of the engineering division, and Kiddicraft is on the auction block.

These changes reflect Hestair's strategy of moving away from its mini-conglomerate status to focus on employment services. The process is well advanced. In the half year to July 31 the personnel services division contributed more than 80 per cent of profits.

For Adia, an even more dramatic reorganisation is underway. It is in the process of merging with Inspectorate International, a fellow Swiss company which is involved in inspection and employment services and which is controlled by Mr Werner Rey, the Swiss industrialist.

The sale of Inspectorate's majority stake in Harpener, the West German property company, and other planned disposals, means that Adia has more than ample funds for its current bid. But barring the arrival of a white knight or a rival bidder, most analysts believe that Adia may not have to dig too much deeper into its war chest.

David Hargreaves: played *down effect of Atlas downturn*

The merger between Adia and Inspectorate will give the combined group "more ammunition to continue an aggressive policy of expansion" according to Mr Yves Paternot, Inspectorate's managing director.

Speaking at a conference on international investment in London yesterday, Mr Paternot said that the merger, which should be completed at an extraordinary general meeting of Inspectorate shareholders on November 28, would create one of the world's largest service industry groups.

The merger is expected to more than double Adia's size. Whereas in the year to the end of December 1988 Adia reported pre-tax profits of SFr161m (£63m) on sales of SFr2.51bn, the enlarged group is expected to achieve 1989 sales of SFr3.8bn in the services sector and SFr1.8bn from computer leasing.

The enlarged group will focus on service industries and in particular on personnel services, which are expected to account for about 83 per cent of 1989 sales. The other principal business areas are inspection and testing and security services.

Adia, which is currently number two in the world employment agency industry, behind Blue Arrow, and ahead of Kelly of the US, argues that the fragmented nature of the market provides scope for expansion.

SHARE STAKES

The following changes in company share stakes have been announced recently:

Ambrose Investment Trust: Orion Insurance has acquired 200,000 income shares, lifting its holding to 645,000 (8.96 per cent).

Aspen Communications: Mr HPJ Meakin has bought 5,000 ordinary at £3.75 apiece and 13,000 at £3.95, for a total beneficial interest of 2.14m (17.2 per cent).

Brown & Jackson: Barclays Nominees (Angel Court) has disposed of 2.9m ordinary, reducing the holding to below 5 per cent.

Cosalt: LAS Investment Management has reduced its holding to 515,000 ordinary (4.67 per cent).

Dickie (James): Specialist Holdings has acquired 7,000 ordinary, lifting its holding to 371,000 (30 per cent). The shares are registered in the names of Ferlim Nominees and Polarscope.

English National Investment Company: Fidelity Maximum Income Equity Trust has recently disposed of its entire holding of 168,187 preference (9.61 per cent).

Ferranti International Signal: Delaporte Establishment has increased its holding to 10m ordinary (1.32 per cent) with the acquisition of 1.5m at 49p per share.

Flagstone Holdings: Mr Nicholas Tucker, a director, has transferred to Secundus Nominees (Jersey) – of which Mr Tucker is the sole beneficiary – his entire holding of 7.91m ordinary (5.77 per cent).

Goodman Group: Schroder Investment Management has acquired a further 400,000 shares, lifting its holding to 3.05m (9.2 per cent).

Macallan-Glenlivet: Holding of Edinburgh Investment Trust is now 3m (6.2 per cent) – shares are registered in name of London Uberior Dunedin Nominees. On November 6, Pavis SA acquired 884,500 ordinary (1.8 per cent) making 6.574m (13.6 per cent) – shares are registered in name of Remy Amerque.

Morgan Grenfell: On November 13, a Hanson subsidiary disposed of 250,000 ordinary at 472p each, reducing Hanson's total holding to 3.5m (2.26 per cent).

Platon International: Thompson Clive Investments has disposed of 314,241 ordinary and now holds 134,676 (2.02 per cent). Midland Bank Trust Corporation has acquired 346,790 ordinary (5.21 per cent) on behalf of Thompson Clive Ventures.

Polly Peck International: Restro Investments, a private company beneficially owned by Mr Asil Nadir, has raised holding to 91.28m ordinary. Including his personal holding, Mr Nadir is now interested in 95.43m ordinary (25.2 per cent). These totals include 28.13m additional shares in which he became interested in pursuant to the recent rights issue.

Precious Metals Trust: Phillips and Drew Fund Management has discretion to exercise voting rights in respect of 821,000 (6.842 per cent).

Radamec Group: Commercial Union Assurance ordinary holdingis now less than 5 per cent.

Rathbone Brothers: OD Stanley, director, has acquired 10,000 ordinary (0.14 per cent) at 178.5p making total beneficial holding 1.03m (14.68 per cent). Smaller Companies International Trust are now interested in 360,000 ordinary (5.13 per cent) – these shares are or will shortly be registered in name of NC Lombard Street Nominees X16 account.

Regalian Properties: On November 15, Legal and General investment trusts held 11.62m ordinary (13.11 per cent) following transfer from authorised unit trusts. Shares are registered in names of Legal and General Assurance Society 9.58m ordinary and Midland Bank Trust Co. 2.04m ordinary.

Saltire Insurance: British Empire Securities and General Trust acquired 835,000 ordinary taking holding to 2.335m (15.6 per cent).

Sketchley: Mercury Asset Management has disposed of 140,000 ordinary making holding 6.87m (18.99 per cent).

Slingsby (HC): Discretionary clients of PK English Trust Co nowhold 212,600 ordinary (21.26 per cent).

Smiths Industries: Morgan Grenfell has interests in 21.39m ordinary (7.365 per cent).

Spectrum Group: Heatherset has disposed of 110,000 ordinary (0.6 per cent) making holding 1.7m (9.3 per cent).

Stormgard: CIN Industrial Investments has acquired 15.9m ordinary (5 per cent).

Stylo: On November 6, MA Ziff, director, acquired 403 limited voting ordinary (0.002 per cent) at 305p making holding 1.13m (5.893 per cent): shares are registered in names of MA Ziff 100 limited voting ordinary wife – 103 limited voting ordinary children – 200 limited voting ordinary. On November 16, Mr Ziffacquired 100 voting ordinary (0.001 per cent) at 290p making holding 1.13m (5.893 per cent).

Taylor Woodrow: Morgan Grenfell has 20.62m ordinary (6.29 per cent). These holdings are held on behalf of clients of Morgan Grenfell group whose portfolios are managed on a discretionary basis by companies within the Morgan Grenfell group acting as fund managers.

TLS Range: Friends Provident Life Office now interested in 2.07m (12.22 per cent). Interests are held by following managed funds:– the *Growth Fund* 1.75m (10.33 per cent), Friends Provident Managed Pensions Funds – Stewardship Fund 200,000 (1.18 per cent) and Friends Provident Unit Trust Managers – Stewardship Income Trust 120,000 (0.71 per cent).

Toothill (RW): Beaverco purchased 2,500 ordinary taking its holding to 102,500 shares (14.6 per cent).

Tor Investment Trust: On October 20, British Empire Securities and General Trust acquired 2,500 capital shares (0.1 per cent) making total 686,500 (27.37 per cent) – shares are registered in name of Lloyds Bank (Branches) Nominees. On November 2, Sun Life Assurance Society acquired 125,000 capital shares (4.93 per cent) making total holding 491,121 capital shares (19.58 per cent).

Triplevest: Orion Insurance has acquired 200,000 income shares, raising its total holding to 5.63m (23.5 per cent).

Unilock: David Collins, a director, has purchased 20,000 ordinary at 62p per share.

Vickers: IEP Securities, a wholly-owned subsidiary of Industrial Equity (Pacific), is beneficial owner of 40.83m ordinary and 550,000 cumulative preference shares giving it 15.53 per cent of the voting rights.

Vivat Holdings: Michael A Cooper, a director, has disposed of 125,000 ordinary reducing his holding to 3.49m shares (8.44 per cent).

Williamson Tea: CDC Trust has acquired a further 7,500 ordinary, raising its total holding to 414,075 shares (18.09 per cent).

PUBLIC WORKS LOAN BOARD RATES

Effective August 12

Years	Quota loans repaid by EPT†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPT†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1			14		11½	14¾
Over 1 up to 2	13⅝	13½	12⅜	14⅝	[illegible]	13⅛
Over 2 up to 3	12¾	12⅝	11⅞	13¾	[illegible]	12⅝
Over 3 up to 4	12¼	12⅛	11⅝	13¼	[illegible]	12⅜
Over 4 up to 5	12	11⅞	11½	13	[illegible]	12¼
Over 5 up to 6	11¾	11¾	11⅜	12¼	12¼	11⅞
Over 6 up to 7	11⅝	11⅝	11¼	12⅛	12	11¾
Over 7 up to 8	11½	11½	11⅛	12	12	11⅝
Over 8 up to 9	11½	11⅜	11	12	12	11½
Over 9 up to 10	11⅜	11⅜	10⅞	11⅞	[illegible]	11⅜
Over 10 up to 15	11⅛	10⅞	10½	11⅝	[illegible]	11
Over 15 up to 25	10⅝	10⅜	10⅛	11⅛	10⅞	10⅝
Over 25	10¼	10⅛	10	10¾	10⅝	10½

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to *include* principal and interest). § With half-yearly payments of interest only.

COMMODITIES AND AGRICULTURE

Opec Ministers under no pressure to compromise

Steven Butler sees little prospect of quota discipline being achieved at this week's meeting in Vienna

THE ORGANISATION of Petroleum Exporting Countries meets in Vienna today for its biannual exercise of bashing square pegs into round holes. Sometimes they go in and sometimes they don't.

This is a rough analogy for Opec's ministerial conferences in which ministers try to accommodate the divergent interests of all 13 Opec members in a single production agreement, and make it work.

The current Opec agreement, with a notional production ceiling of 20.5m barrels a day, is in tatters. Production is running close to 23.5m b/d, and it seems that just about every member except Saudi Arabia is making a stab at producing near full capacity. Oil markets, meanwhile, seem to have become accustomed to Opec indiscipline and the price has held steady at nearly $19 a barrel.

Opec's 8-member ministerial monitoring committee meets today and the formal session starts on Saturday – all well timed to coincide with the US Thanksgiving holiday, when futures trading stops on the New York Mercantile Exchange and trading elsewhere is sluggish.

Hisham Nazer: Determined to maintain Saudi Arabia's share

Most analysts are expecting that the pegs again will not go in, at least if the standard is to be an agreement that makes a head-on assault on Opec's biggest problem: how to allocate production quotas among its members sensibly.

The reason is not just that Opec members do not agree with each other. That is the normal state of affairs. And the fact that Saudi Arabia and Libya, not to mention Kuwait and the United Arab Emirates, have not been big on compromises lately, also does not signify much. Opec members typically throw down tough bargaining positions prior to meetings in order to strengthen their hand.

Nevertheless possibilities for compromises look slim this time. Mr Hisham Nazer, for example, has given clear signals that Saudi Arabia will not allow its share of Opec's official production ceiling to fall from its current 24.5 per cent.

Yet the biggest threat the Saudis seem willing to make, at least implicitly, to prod others to give way is that Saudi Arabia will produce its 24.5 per cent share of Opec's total output, lifting production to take account of other Opec members cheating on their quotas.

This means the Saudis may have to produce few hundred thousand barrels a day more to keep up with the Joneses, but is quite different from the situation a year ago when Mr Nazer ordered the taps opened full to put pressure on other Opec members – especially Iran.

A year ago the dollar price for a barrel of Brent oil was in the low teens and there were riots in Algeria and Venezuela. Pressure to reach a credible agreement to shore up prices was enormous and this was largely accomplished as Opec quickly took crude oil off the market in the New Year, after being aided by an unexpected rise in demand.

Today Algeria and Venezuela are not exactly rolling in cash, but oil prices have stabilised at a reasonable level and the Opec countries are not facing an immediate cash or political crisis. So the pressure to find an immediate solution to the perennial problem of quota-cheating has eased.

They will undoubtedly review the progress of an Iranian-inspired proposal to give Kuwait and the UAE disproportionate quota increases, to be accommodated by sacrifices by Indonesia, Nigeria, Venezuela, and Algeria. Saudi Arabia does not object to this, although other Opec members are demanding that the Saudis make at least a token cut in their quota share to ease the political pain for others.

Libya is sticking to its guns and demanding a quota increase in line with Kuwait and the UAE. The UAE wants a higher quota than the rest are willing to give, may not stick to it any, and Kuwait is unlikely to let the UAE overproduce without matching it. No Opec member will want to sacrifice its quota share for a patently empty promise of higher prices. This may leave Opec with no choice but sign another leaky agreement, lifting the ceiling by a small amount and not addressing the quota allocation issue.

The markets do not appear worried, however, even though most analysts reckon Opec will have to cut output by nearly 2m b/d by the New Year to bring supply in line with demand. The idea has got around that demand is strong, that Soviet supplies are in jeopardy, that Opec always manages somehow to cut production in the first quarter of the year, and that any price fall would be quickly recticified, presumably as production was cut by countries like Saudi Arabia that would be hurt by a substantial fall in prices.

Virtually every trader who has gone seriously short on oil in the past year had lost money. The markets will soon learn whether this record has unnerved the bears and created an unwarranted and unrealistic sense of optimism.

Norway's Statoil uprates Gullfaks field by 9.5 per cent

By Karen Fossli in Oslo

STATOIL, THE Norwegian state oil company, has uprated by 9.5 per cent to 230m cubic metres the potential for recovery of crude oil reserves in the giant NKr57bn (£5.3bn) Gullfaks field from existing production facilities.

In addition, the company said there was potential for recovery of a further 30m cu m of oil from separate structures which would require new investments for additional production facilities.

Altogether, recovery from the Gullfaks field could be increased by 50m cu m of oil from original recovery estimates of 210.3m cu m. The value of additional recovery is estimated to be between NKr40bn and NKr50bn.

Additional mapping from existing geological structures and production development of the field are two of the reasons for the upgrading. However, the additional 30m cu metres have been identified in a substantial new reservoir.

A plan is due to be presented in mid-December for the exploitation of these reserves. In the first instance, Statoil will consider either boosting plateau production from the field – where capacity will be extended to 600,000 barrels a day by a third platform to be brought on stream in December – or extending plateau production over a longer period of time.

Current production output is about 290,000 barrels a day.

In the second instance, Statoil and its partners will have to decide on additional development investment together with a selected development scheme.

Additional partners in the all-Norwegian field include Norsk Hydro, Norway's largest publicly-quoted company, which has a 9 per cent stake and Saga Petroleum, Norway's largest independent, with a 6 per cent share. Statoil and the Norwegian state hold the remaining 85 per cent.

Trinidad oil venture

THREE US oil companies led by Exxon have entered a US$70m venture in Trinidad and Tobago to search for commercially exploitable oil deposits, writes Canute James in Kingston, Jamaica.

The venture, the Southern Basin Consortium, includes Chevron and Total, and two state-owned Trinidadian companies, Trintoc and Trinitopec.

Under the project which begins in January and will run until 1995, just over 65 per cent of Trinidad and Tobago will be surveyed to locate deposits at depths between 8,000 feet and 17,000 feet.

The local state-owned companies will get 51 per cent of any oil which is found, with Exxon getting 20 per cent and Chevron and Total 14.5 per cent each.

Oil industry officials say the venture has been encouraged by recent oil finds in the El Furrial fields of neighbouring Venezuela. "Southern Trinidad is geologically similar to the Venezuelan basin," one said.

US plan rings alarm bells on the farm belt

Farmers prefer secure incomes to a "level playing field", reports Nancy Dunne

ANOTHER HARVEST has come and gone in rural America. Farmers, who survived deep recession and drought during the decade, have time now to study the US proposal to liberalise agriculture trade, presented to the General Agreement on Tariffs and Trade, and many have concluded that wrenching change will be the outcome.

In Washington, the Bush Administration presents the plan as the saviour of US agriculture. It would convert the protection many farmers have come to depend upon into tariffs, and gradually those tariffs would be whittled down. It would eliminate export subsides over five years, phase out "trade-distorting" domestic farm programmes and standardise food regulation into international rules.

"The global reduction in trade-distorting policies would allow US farmers to exercise their entrepreneurial skills and make production decisions based on market forces rather than government programmes," says Mr Clayton Yeutter, the US Agriculture Secretary. "It would allow US agriculture to export its comparative advantage and increase exports."

But out in the countryside there are thousands of farmers who believe "comparative advantage" is simply a textbook theory and the "level playing field" their national leaders promise is no more than a myth. They see the administration's scheme as the brainchild of the multinational grain corporations – some call it the Cargill Proposal – which they say benefit from increased trade no matter what the price.

In Kentucky, where there are more than 92,000 mostly small farms, the Community Farm Alliance, sees potential ruination for the state's agriculture sector, the employer of 8 per cent of Kentucky's workforce. Mrs Dorothy Robertson, one of the Alliance's members, says a flood of imports and lower prices would drive the dairy, tobacco and livestock producers out of business.

"There is just no way we can compete with Latin American corporations which tear up the Amazon rain forest for a few years of cattle production and flood our market with beef," she said. "Protectionism is not the answer, but neither is indiscriminate dismantling of programmes that have been developed over the past 50 years."

Mr Anthony Pollina, director of Rural Vermont, a farm advocacy organisation, said the US plan could "wipe out the dairy industry in the Northeast." Some producers are already living on "borrowed time," he said. Although prices are comparatively high, they are but still, in real terms, below the levels of 1979.

US farmers are, by and large, political activists. Over the years, they have maintained their price supports, even as their numbers have waned. Increasingly, they have turned to their state government for action on issues ranging from credit to trade to mediation programmes and food safety issues.

EFFECT OF US PLAN
Changes in value of farm production ($ billions)

	US	EC
Meat & eggs	+6.32	−17.94
Dairy products	−3.71	−1.26
Food crops	−2.28	−1.19
Feed crops	−2.12	−2.57
All produce	−5.38	−25.91

Source: US Department of Agriculture

Minnesota has become the centre of opposition to the US Gatt proposal. There, the negative consequences for the state's agriculture sector arising from the US-Canada Free Trade Agreement was ignored until too late to halt its passage.

An announcement by the Minnesota Senator, Rudy Boschwitz, that the 1990 Farm Bill would be "written in Geneva" caused considerable consternation in a state where the Gatt is thought a mysterious, secretive organisation, which even shuts many of its third world members out of the decision-making.

What chance had small farmers to influence the outcome of their farm programmes? Into the equation came Mr Mark Ritchie, a farm policy analyst in the Minnesota Department of Agriculture, who considers the survival of US farmers a "personal commitment." Taking a 6-month unpaid leave of absence, he moved with his family to Geneva to study the Gatt in all its arcane wonder.

He, like farmers in several states, began to form vital national and international alliances and data gathering networks with farm groups in Japan, Europe and the developing countries. The coalition has since expanded to include US environmentalists, labour unions and church groups.

Through a busy fax machine in his St Paul office, Mr Ritchie keeps farm groups more abreast of Gatt developments than are many members of Congress.

When the Gatt negotiating teams met in Montreal for the "mid-term" review, thousands of farmers from more than 30 countries showed up to lobby against an end to their farm programmes.

"European organisations have reached out to us in hopes of building solidarity," said Mr Pollina, one of three Americans to speak at a rally there. "Our Government tries to blame European farmers and governments. We try to have Americans understand that family farmers have common interests and common enemies – the multinational organisations."

The word from the hinterland has begun to reach Washington where last week Senator Tom Daschle of North Dakota warned that farmers were "sceptical" about the plan and had "sense that our trade negotiators are too preoccupied with theory and not sufficiently advocating an American point of view."

Nor were the Washington farm lobbyists united behind the plan. Mr Eiler Ravnholt, vice president of the Hawaiian Sugar Planters' Association, presented a USDA study showing that farm trade liberalisation would bring a 69 per cent fall in American sugar prices. Rice prices would drop 59 per cent; coarse grains, 33 per cent; and wheat, 44 per cent.

Mr Reggie Wyckoff, president of the National Association of Wheat Growers, praised the administration proposal as "bold" held back from outright endorsement. "It is impossible for farmers to know or to judge how these theoretical changes will affect them," he said. "Much of what the US has proposed will prove politically difficult to put into action – both here in the US and abroad."

French cocoa association may expel Phibro

By George Graham in Paris

FRANCE'S COCOA Trading Association is considering the expulsion of Philipp Brothers (Phibro), one of the world's largest commodity traders, in a dispute over the non-delivery of cocoa it had agreed to sell to other traders.

The Association Francaise du Commerce des Cacaos (AFCC), which groups cocoa traders, consumers and producers, is understood to have given Phibro a December 4 deadline to pay compensation to several buyers after failing to deliver on several contracts last year.

Phibro has responded that it was unable to deliver because it could not obtain the cocoa from the Ivory Coast's cocoa marketing board.

An arbitration panel, however, has made awards to a number of traders, as well as to the International Cocoa Organisation.

AFCC contracts are the norm for trading in cocoa from the Ivory Coast, the world's biggest producer, as well as from Cameroun. Expulsion would not prevent Phibro from trading AFCC contracts, but it would not be able to write its own AFCC-approved contracts.

The total quantity of cocoa involved in the dispute is unclear, but the contracts appear to have covered at least 10,000 tonnes.

EC to limit hill livestock payments from 1991

By Tim Dickson in Brussels

EUROPEAN COMMUNITY Farm Ministers ended a surprisingly fruitful meeting in the early hours of yesterday morning with agreement on a complex package of measures to boost agricultural structures.

The final outcome, however, was a disappointment for the UK whose Agriculture Minister Mr John Gummer failed in his bid to prevent headage limits being imposed on payments to hill farmers.

The problem centred on the system of so-called Hill Livestock Compensatory Allowances paid to sheep and beef producers in the less favoured areas of the "Celtic fringe" as well as much of northern and south west England. Hitherto the EC has paid 25 per cent of these subsidies on unlimited "livestock units" (a head of cattle or roughly six sheep) but as a result of yesterday's compromise the full 25 per cent will be paid on the first 60 livestock units, and 12.5 per cent on the next 60, with nothing thereafter.

Mr Gummer said while he had voted against the package "as a matter of principle," these figures were a "significant improvement" on the original proposals, and he pointed out that they would not come into effect until 1991.

The final compromise also contained a more generous "stocking density limit" – another criterion intended to discourage intensive management systems – of 1.4 units a hectare.

WORLD COMMODITIES PRICES

LONDON MARKETS

GOLD prices continued their advance on the London bullion market yesterday, closing $4 ahead at $408.25 an ounce after touching $410 earlier in the day. Dealers said the market was active as it built on Tuesday's break above $400. The possibility of shortcovering in New York overnight could foster more gains today. Dealers said both silver and platinum were reluctant to respond fully to gold's latest gains – both metals retreated from earlier highs to close slightly ahead. LME base metal prices were down across the board. Cash special high grade zinc lost $44.50 a tonne – traders said the market remained under pressure from an anticipated build-up in supplies. Cash nickel shed $500 a tonne to a 21-month low as bearish charts and slow demand from the stainless steel sector continued to weigh on sentiment.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.03-6.13z	-.02
Brent Blend	$18.55-8.60z	-.05
W.T.I. (1 pm est)	$19.97-0.02z	+.08
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$186-188	
Gas Oil	$168-169	+1
Heavy Fuel Oil	$102-104	-1
Naphtha	$160-162	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$408.25	+4.00
Silver (per troy oz)♣	561c	+3
Platinum (per troy oz)	$529.75	+3.25
Palladium (per troy oz)	$143.0	-0.5
Aluminium (free market)	$1705	
Copper (US Producer)	112½-114½	-1¼
Lead (US Producer)	39c	
Nickel (free market)	445c	-10
Tin (Kuala Lumpur market)	18.37r	+0.05
Tin (New York)	316.0c	-4.5
Zinc (US Prime Western)	73¼c	-2
Cattle (live weight)†	112.73p	+0.95*
Sheep (dead weight)†	203.67p	+2.95*
Pigs (live weight)†	91.36p	-2.49*
London daily sugar (raw)	$364.0x	-10.4
London daily sugar (white)	$390x	-6
Tate and Lyle export price	£348.0	-7.5
Barley (English feed)	£114.5	+0.5
Maize (US No. 3 yellow)	£128	
Wheat (US Dark Northern)	£128	
Rubber (spot)♥	57.00p	-0.25
Rubber (Dec)♥	58.75p	-0.25
Rubber (Jan)♥	59.75p	-0.25
Rubber (KL RSS No 1 Dec)	227.0m	
Coconut oil (Philippines)§	$460.0v	-2.5
Palm Oil (Malaysian)§	$300w	
Copra (Philippines)§	$290	-5
Soyabeans (US)	£173.5	
Cotton "A" index	80.95c	-0.40
Wooltops (64s Super)	585p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct. x-Dec/Jan. t-Jan/Mar. v-Nov/Dec. w-Dec. z-Jan †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	668	660	695 665
Mar	667	657	671 654
May	676	678	683 674
Jul	691	680	694 687
Sep	706	700	710 705
Dec	729	730	734 726
Mar	746	749	753 745

Turnover: 5004 (5210) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 21 777.92 (784.74);10 day average for Nov 22 805.24 (808.69)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	700	701	705 692
Jan	687	681	690 677
Mar	685	686	690 683
May	704	705	708 702
Jul	723	722	727 722
Sep	742	742	747 742
Nov	760	760	768 764

Turnover: 3990 (3743) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 21: Comp. daily 61.51 (61.38). 15 day average 62.36 (62.39)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	330.80	328.40	331.00 326.80
May	326.60	326.00	327.00 323.20
Aug	319.80	320.20	320.00 317.60
Oct	312.00	312.40	312.40 309.40
Dec	310.00	310.00	310.00 306.00
Mar	294.60	296.00	294.80 293.00
White	**Close**	**Previous**	**High/Low**
Mar	396.50	395.60	396.50 394.00
May	399.00	398.80	398.50 399.00
Aug	408.00	407.50	408.00 407.80
Oct	380.50	380.50	380.50 378.20

Turnover: Raw 5503 (6149) lots of 50 tonnes. White 1082 (962)
Paris- White (FFr per tonne): Mar 2457, May 2485, Aug 2552, Oct 2382, Dec 2310, Mar 2307.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Jan	18.51	18.58	18.60 18.49
Feb	18.35	18.40	18.41 18.32
Mar	18.23		18.24 18.23
Apr	18.06		18.10 18.06
IPE Index	18.64	18.59	

Turnover: 6594 (2931)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Dec	183.00	182.00	183.50 182.00
Jan	178.25	178.75	178.75 177.25
Feb	174.00	172.25	174.00 172.00
Mar	168.00	167.25	168.25 167.25
Apr	162.25	161.75	162.75 161.50
May	159.25	158.75	159.25 158.00

Turnover 4008 (3634) lots of 100 tonnes

WOOL

Australian Wool Corporation floor price purchases are very high again. Trade purchases in South Africa are also low, with the Wool Board taking the bulk, despite prices which for comparable wools can look cheap compared with Australia. Consumer demand at retail level still appears sound and certainly not down sufficiently to explain the universal trade determination to push the stockholding burden onto growers. However, high interest rates and currency uncertainty are keeping Bradford and similar markets very depressed as well as causing reduced machinery activity.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 10,200 tonne
Cash	1693-5	1708-10	1707	1706-7		
3 months	1700-2	1710-2	1715/1703	1710-1	1701-3	32,232 lots
Copper, Grade A (£ per tonne)						Ring turnover 20,400 tonne
Cash	1575-7	1589-91	1585/1582	1581.5-2.5		
3 months	1584-5	1598-9	1593/1584	1590-1	1583-4	77,141 lots
Lead (£ per tonne)						Ring turnover 7,275 tonne
Cash	420.5-1.5	424-6		420-1		
3 months	421-1.5	423-5	423/417	419-20	422.5-3.0	11,605 lots
Nickel ($ per tonne)						Ring turnover 1,383 tonne
Cash	9350-400	9850-900	9800/9400	9590-600		
3 months	9000-25	9450-75	9400/9000	9250-60	9025-40	6,943 lots
Tin ($ per tonne)						Ring turnover 365 tonne
Cash	6850-60	6905-10	6870	6865-70		
3 months	6990-7000	7040-50	7040/6970	6980-90	6985-95	6,125 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 8,300 tonne
Cash	1370-5	1415-9	1380/1377	1377-80		
3 months	1345-50	1398-400	1393/1343	1356-7	1345-7	15,988 lots
Zinc ($ per tonne)						Ring turnover 750 tonne
Cash	1375-85	1410-20		1390-400		
3 months	1330-5	1365-75		1335-40	1325-35	2,539 lots

LME Closing £/$ rate:
SPOT: 1.5845 3 months: 1.5391 6 months: 1.5176 9 months: 1.4970

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Feb	155.0	150.0	150.0
Apr	207.5	203.6	207.9 203.9
May	234.0	232.0	234.0 232.0

Turnover 437 (175) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Dec	140.00		140.00
Feb	146.00	146.00	146.00
Apr	143.70	143.70	143.70

Turnover 49 (40) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Nov	1680	1678	1680
Jan	1677	1665	1666 1677
Apr	1695	1695	1697 1693
Jul	1415	1420	
BFI	1668	1670	

Turnover 91 (308)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Nov	109.65	109.60	
Jan	112.50	112.50	112.75 112.50
Mar	116.20	116.20	116.45 116.30
May	119.35	119.50	119.65 119.30
Jun	120.70	120.85	
Sep	104.35	104.35	
Nov	107.40	107.35	107.35
Barley	**Close**	**Previous**	**High/Low**
Nov	107.35	107.55	
Jan	110.40	110.75	110.80 110.70
Mar	113.10	113.45	113.45 113.35

Turnover: Wheat 143 (253), Barley 38 (56).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	121.7	122.0	122.0 121.9
Feb	111.5	112.5	112.0 111.0
Apr	113.0	113.0	
Jun	111.5		111.0

Turnover 37 (5) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	408-408½	261-261½
Opening	407-407½	259-259½
Morning fix	408.60	258.487
Afternoon fix	409.90	261.883
Day's high	410-410¾	
Day's low	405-406	
Coins	**$ price**	**£ equivalent**
Mapleleaf	417-422	267-270
Britannia	417-422	267-270
US Eagle	417-422	267-270
Angel	417-422	267-270
Krugerrand	407-410	260-262
New Sov.	91-93	58-59
Old Sov.	91-93	58-59
Noble Plat	536.10-544.80	342.80-348.30

Silver fix	p/fine oz	US cts equiv
Spot	369.30	580.00
3 months	363.40	592.55
6 months	395.45	603.75
12 months	422.75	627.20

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1600	125	125	14	38
1700	60	70	48	78
1800	22	35	108	140
Copper (Grade A)	**Calls**		**Puts**	
2350	148	146	39	82
2450	89	96	78	131
2550	48	62	138	193
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
650	38	62	7	27
700	11	37	30	52
750	2	17	71	82
Cocoa	**Mar**	**May**	**Mar**	**May**
600	81	14	4	
650	49	61	32	38
700	27	38	60	63
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
1800	66	76		
1850	41	46	30	
1900	18	30	80	

US MARKETS

IN THE METALS, gold remained strong adding on 7.20 basis December, reports Drexel Burnham Lambert. Platinum gained slightly from spillover buying. Long liquidation eased the silver in front of Thursday's US holiday. Copper was also lower from arbitrage selling. In the softs, trading was slow in most markets due to the extended holiday. Coffee, sugar and cocoa markets will be closed on Friday. Sugar was mixed after two-sided activity while trade selling pressured cocoa futures. Coffee prices were lower due to speculative selling near the close. The livestocks all closed higher due to strong cash prices and some export news in the bellies. In the grains, local short covering helped firm the soy complex. Corn and wheat continued their slow sessions. Cotton rebounded after having lost ground earlier in the week. The energy markets were slow ahead of Thursday's holiday.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
Nov	411.0	403.7	408.5
Dec	411.6	404.4	411.8 407.0
Jan	414.5	407.2	0 0
Feb	417.0	409.7	417.5 412.2
Apr	422.1	414.7	422.5 417.8
Jun	426.7	419.6	427.8 423.0
Aug	431.8	424.2	429.7 428.0
Oct	436.6	428.9	436.5 432.8
Dec	441.7	433.8	441.5 437.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
Nov	531.0	528.3	0 0
Dec	534.0	487.1	526.0 531.1
Jan	537.0	535.3	538.5 531.0
Apr	540.0	540.4	543.5 536.0
Jul	547.5	543.4	547.0 540.5
Oct	553.5	553.7	555.0 550.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
Nov	580.0	583.4	582.0 582.0
Dec	580.6	584.5	585.5 575.5
Jan	584.5	588.1	590.0 585.5
Mar	594.0	597.7	603.0 590.0
May	602.4	606.2	610.0 598.0
Jul	610.9	614.7	618.0 607.0
Sep	619.6	623.4	626.0 620.0
Dec	632.0	635.7	640.0 627.5
Jan	636.6	639.3	0 0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 22	Nov 21	mnth ago	yr ago
1833.0	1844.7	1846.8	1844.8

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov 21	Nov 20	mnth ago	yr ago
Spot	129.87	129.59	130.76	132.64
Futures	131.39	131.11	132.24	137.04

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
Nov	109.85	111.20	0 0
Dec	108.80	111.80	110.20 108.20
Jan	108.30	108.30	108.50 107.50
Feb	106.70	108.00	107.50 107.50
Mar	105.80	106.30	106.50 104.10
Apr	104.50	105.80	105.50 104.00
May	104.00	105.30	105.30 103.70
Jun	103.60	104.80	104.00 103.00
Jul	103.20	104.30	103.40 103.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low
Jan	19.94	19.86	20.01 19.86
Feb	19.76	19.78	19.83 19.70
Mar	19.57	19.58	19.61 19.49
Apr	19.40	19.41	19.42 19.32
May	19.29	19.24	19.28 19.13
Jun	19.06	19.07	19.09 19.00
Jul	18.90	18.90	18.90 18.82
Aug	18.73	18.73	18.73 18.67
Oct	18.48	18.48	18.48 18.41

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low
Dec	6080	5994	6133 6025
Jan	6030	5956	6085 6000
Feb	5880	5826	5925 5860
Mar	5635	5607	5675 5620
Apr	5380	5351	5420 5365
May	5240	5216	5290 5220
Jun	5165	5071	5115 5080
Aug	5150	5121	5150 5150
Sep	5235	5211	5235 5200

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low
Dec	918	938	940 918
Mar	939	962	949 936
May	940	962	959 930
Jul	956	979	972 955
Sep	972	995	987 972
Dec	990	1009	1007 990
Mar	1012	1031	1022 1012

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
Dec	72.01	72.70	73.25 72.00
Mar	73.43	75.90	76.50 75.30
May	77.82	78.22	78.65 77.55
Jul	80.15	80.35	80.75 80.00
Sep	82.48	82.13	82.60 82.00
Dec	85.50	85.01	85.75 84.75
Mar	87.75	87.75	87.25 86.25

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low
Jan	15.00	14.85	0 0
Mar	14.90	14.99	14.92 14.70
May	14.65	14.65	14.68 14.51
Jul	14.48	14.44	14.47 14.29
Oct	14.07	14.08	14.10 13.90
Mar	13.37	13.41	13.41 13.33

COTTON 50,000; cents/lbs

	Close	Previous	High/Low
Dec	70.10	70.18	70.57 70.00
Mar	73.32	72.69	73.34 72.63
May	73.85	73.59	74.00 73.40
Jul	73.98	73.32	73.80 73.45
Oct	68.50	68.20	68.50 68.20
Dec	66.25	66.00	66.25 65.95
Mar	66.16	66.10	66.20 66.15

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
Jan	125.00	125.00	126.20 125.25
Mar	124.85	124.05	125.00 123.90
May	124.75	124.10	125.00 124.25
Jul	124.75	124.10	125.00 124.00
Sep	124.65	123.60	0 0
Nov	124.65	123.80	0 0
Mar	124.65	123.80	0 0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
Jan	581/2	585/6	592/0 585/2
Mar	603/0	599/0	604/4 598/4
May	615/0	610/0	615/6 609/4
Jul	623/6	618/4	624/0 618/2
Aug	624/0	619/2	624/0 621/4
Sep	613/2	608/0	614/0 612/4
Nov	612/4	608/4	612/4 608/0
Jan	622/0	618/0	622/0 620/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
Dec	19.47	19.32	19.52 19.26
Jan	19.70	19.56	19.75 19.50
Mar	20.15	20.01	20.18 19.93
May	20.54	20.39	20.57 20.30
Jul	20.75	20.62	20.75 20.50
Aug	20.82	20.66	20.85 20.60
Sep	20.82	20.68	20.85 20.70
Oct	20.87	20.80	20.90 20.85

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low
Dec	187.6	188.2	187.6 185.9
Jan	187.4	188.4	187.7 186.1
Mar	186.4	186.4	186.5 184.7
May	185.3	185.5	185.5 183.0
Jul	184.3	185.2	185.0 183.5
Aug	184.2	183.3	184.7 182.5
Sep	184.0	182.2	184.5 182.0
Oct	184.0	181.7	184.0 182.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
Dec	235/4	236/0	237/4 234/0
Mar	243/0	242/6	243/4 242/2
May	247/0	247/2	247/4 246/4
Jul	250/4	250/6	251/0 250/2
Sep	244/4	244/6	245/0 244/2
Dec	241/2	241/6	241/6 241/0
Mar	248/0	248/4	248/4 248/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
Dec	407/6	409/2	409/0 407/4
Mar	410/4	410/2	411/6 410/0
May	391/6	392/6	393/4 391/2
Jul	361/2	363/4	363/4 360/4
Sep	366/0	368/0	367/4 365/4
Dec	376/0	379/0	378/4 377/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low
Dec	76.00	75.70	76.05 75.75
Feb	75.22	74.62	75.27 74.85
Apr	74.77	74.35	74.75 74.35
Jun	71.80	71.67	71.92 71.67
Aug	69.97	69.87	70.00 69.75
Oct	69.50	69.32	69.70 69.47

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low
Dec	50.25	49.57	50.37 49.67
Feb	50.95	50.62	51.12 50.45
Apr	48.60	48.17	48.67 48.05
Jun	49.97	49.82	50.00 49.65
Jul	50.07	49.95	50.25 49.95
Aug	48.97	48.56	49.00 48.60
Oct	44.05	44.05	44.10 44.00
Dec	45.50	45.50	0 45.40

PORK BELLIES 40,000 lbs; cents/lbs

	Close	Previous	High/Low
Feb	63.25	63.05	63.50 62.00
Mar	62.80	62.67	62.90 62.60
May	63.70	63.52	63.80 63.25
Jul	60.85	60.32	60.90 60.00
Aug	58.12	57.62	58.15 57.50

LONDON STOCK EXCHANGE

Steady ahead of the UK trade figures

UK EQUITY traders showed signs of recovering some confidence yesterday as they awaited the latest UK trade figures today. Share prices were firmer for most of the session and closed in good shape as the pound rallied from an early fall and the £5.2bn UK water privatisation issue was priced at a level considered favourable for both investors and the market.

Some cynics suggested that the pricing of 240p a share for the privatisation issues indicated a degree of confidence by the authorities towards today's UK trade figures for October. As the pound steadied, equity analysts began to doubt suggestions that the UK current account deficit might have worsened last month: the general forecasts for the monthly deficit settled to around £1.5bn, against £1.6bn in September, a figure which could calm some of the more immediate worries for the pound.

Account Dealing Dates		
First Dealings:		
Nov 13	Nov 27	Dec 11
Option Declarations:		
Nov 23	Dec 7	Dec 21
Last Dealings:		
Nov 24	Dec 8	Dec 22
Account Day:		
Dec 4	Dec 18	Jan 8

"New time dealings may take place from 9.00 am two business days earlier

The Footsie Index opened 11 points higher but was briefly depressed at mid-session by a burst of selling of the Footsie future contract which depressed prices in the underlying blue chip stocks. At worst, the Index was within 2 points of its overnight level, but the mood rallied in the second half of the session. The final reading on the FT-SE Index showed a net gain of 7.2 on the day to 2,192.3.

However, it was another very slow day for the market, with trading levels still giving cause for concern. Seaq volume of 324.2m shares compared with 350.6m on Tuesday. Sentiment was helped by satisfactory trading reports from a handful of leading companies, including BAT Industries, Cable & Wireless, and Ranks Hovis Mcdougall.

There was also a scattering of more speculative situations, but these did not always prove convincing. Press suggestions of a bid for Williams Holdings, the paint and industrials conglomerate, were firmly rejected by the company.

The impetus of the final upswing in the market was restrained by the prospect of the Thanksgiving Day closure of the US markets. This holiday generally extends into a weekend break and will effectively leave London on its own until Monday morning, with the UK trade figures to dominate sentiment. With this scenario in prospect, UK and transatlantic trading houses were trimming their exposure to international blue chips in the London market.

The big investment institutions are expected to concentrate in the near term on the opening of dealings on December 12 in the water privatisation issues. In its initial response to the pricing news, the market appeared to be expecting premiums of around 20p a share on each of the 10 new issues, although some will be favoured more than others. This is expected to be reflected in "grey market" trading ahead of the start of offical dealings.

FINANCIAL TIMES STOCK INDICES

	Nov 22	Nov 21	Nov 20	Nov 17	Nov 16	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	83.66	83.50	83.50	83.71	84.12	88.19	89.29 (8/2)	83.50 (20/11)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.17	93.13	93.29	93.33	93.54	97.04	99.58 (15/3)	93.13 (21/11)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1734.4	1731.9	1734.1	1769.3	1759.2	1497.4	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	290.5	282.8	274.1	255.6	264.6	168.0	293.5 (22/11)	164.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2192.3	2185.1	2183.1	2221.4	2209.8	1837.1	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.81	4.82	4.82	4.73	4.75	4.75				
Earning Yld %(full)	11.64	11.65	11.54	11.33	11.38	11.90				
P/E Ratio(Net)(*)	10.46	10.46	10.46	10.68	10.61	10.15				
SEAQ Bargains(5pm)	20,977	21,524	24,493	22,417	21,982	24,410				
Equity Turnover(£m)†	-	739.24	664.19	648.31	1129.73	1258.45				
Equity Bargains†	-	23,394	23,318	22,278	20,716	24,353				
Shares Traded (ml)†	-	308.0	319.8	304.0	384.2	419.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. o Nil 10.37

Ordinary Share Index, Hourly changes Day's High 1742.1 Day's Low 1731.6

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1741.8	1739.3	1733.7	1733.0	1732.9	1731.8	1732.7	1733.3

FT-SE, Hourly changes Day's High 2197.4 Day's Low 2186.8

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2186.6	2194.2	2187.6	2188.0	2188.6	2188.4	2191.5	2191.5

GILT EDGED ACTIVITY

Indices*	Nov 21	Nov 20
Gilt Edged Bargains	79.7	86.4
5-Day average	82.6	82.5

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share index: Tel. 0898 123001.

Selling pressure on B&C

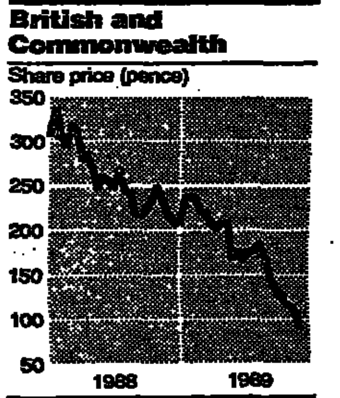
British & Commonwealth (B & C) shares were among the market's worst performers yesterday, dropping suddenly at the outset and remaining under relentless selling pressure for much of the day amid talk that several analysts had downgraded profits and dividend forecasts.

In an official statement issued during the afternoon, the company "categorically denied market rumours alleging that a DTI inquiry has been instigated." B & C continued: "The Stock Exchange has been asked to investigate the source of these malicious rumours."

The early steep decline in B & C shares came as Mr Philip Gibbs of stockbrokers Laing & Cruikshank reduced his forecast for the final dividend for this year from 5.5p to 2.5p, lowering his full year forecast from 9.3p to 6.5p. Mr Gibbs cut his profit estimate for the year from £101m to £95m. UBS Phillips & Drew cut its profits forecast to £98m.

The B & C share price fell steeply in often hectic trading to touch 88p before closing a net 16 down at 92p. Turnover reached 13m shares.

British and Commonwealth



Hanson sales

Dealing in Hanson was excited by news of two large disposals by the company. Before the market opened, Hanson said it had sold building product and aggregates group, ARC America, for $650m (£415m). In the afternoon it announced the sale of its remaining 5 per cent holding in Gold Fields of South Africa, and interests in other South African gold mining companies, for about £240m.

Both deals added in turn to the share price which closed 5 better at 221¼p. Turnover *swelled to a strong 9.2m shares* and Hanson easily topped the list of actives in the traded options market where contracts for the equivalent of more than 5.2m shares changed hands. The company reveals full-year figures on November 29.

Analysts agreed that Hanson had got a good price for the US business with an exit multiple of "at least 20 times earnings." This is one-third higher than what Beazer paid for Koppers, another aggregate company, in June 1988, said one analyst.

The main benefit of the South African sale, he continued, was that the company had overcome currency restrictions to extract its cash, although the price "was not sparkling." Mr Mike Murphy at SG Warburg said that the South African businesses had ready buyers. "Selling the North American gold interests will test their deal-making abilities," he said.

Williams erratic

Press comment that the Barclay brothers were about to launch a £690m bid for Williams Holdings, the industrial conglomerate, sent shares soaring at first but later proved unfounded.

More than 7m shares were traded in early deals as the price rose steadily before falling back as the market began to suspect that a bid was unlikely. That view was confirmed in late afternoon when Williams Holdings issued a statement saying it had received "categorical assurances" from Barclay brothers that they had no holding in Williams nor did they intend to make an offer for the company.

Despite the Barclay brothers' assurance, Mr Angus Blair at Kitcat & Aitken said that the stories had brought attention to a stock which was underrated. Despite low earnings growth prospects next year, Williams has strong brand names and the management remains highly rated, said Mr Blair. The shares closed at 254p, a gain of 24.

TSB rose strongly after news of the restructuring of the company's retail banking operations, with the shares closing 4 firmer at 116p on turnover of 6.1m, well up on usual levels and with dealers noting keen interest in call options in the stock.

Lloyds Abbey featured among the life stocks, the shares moving up 5 to 280p; "overlooked, a good quality stock," said one specialist. Refuge, where French insurance group Athena has been picking up stock in recent months and was last revealed as holding a near 10 per cent stake, put on 11 to 647p.

Shares in London International rose on a strong "buy" recommendation from Kleinwort Benson. Shares firmed 6¼ to 233p.

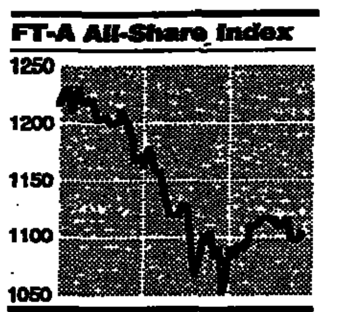
The *seminar given yesterday* morning by British Gas to investment analysts and, thereafter, to institutions, triggered keen demand for Gas shares which moved up 3¼ to 204¼p on turnover of 6.2m.

BP edged up 2½ to 303p on 2.9m shares and Shell rose 3 to 432p on 1.2m. Calor, reporting interim figures today, rose 4 to 427p while Burmah put on 3 to 657p.

Cable & Wireless came out with interim profits up 22 per cent at £241m, comfortably in the middle of market expectations. But the figures drew conflicting responses from the market where the share price lost 10 to 481p on turnover of 5.8m shares.

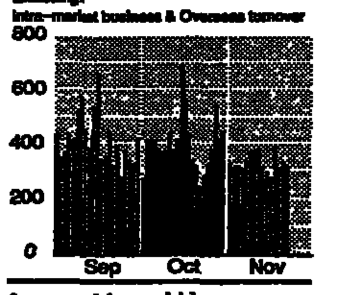
Mr Patrick Wellington said the figures were "no more than satisfactory with earnings up 9 per cent after a 10 per cent improvement in the dollar, year on year." The County analyst added that debt was up at £600m, *gearing up from 40 per* cent to 50 per cent on rising capital expenditure and that there would be a big rise in interest payable. For the full year the County is going for £510m with £595m pencilled in for next year. Mr Chris Tucker at Kitcat & Aitken said the shares "are fundamentally attractive – to get too concerned about the short term would be wrong, the company is insulated against possible recession in the UK and will benefit from a weak pound."

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Hartwells rose sharply as Smith New Court was reported to have acquired a block of 7m shares at 114½p, or just under 10 per cent of the company's issue. There was speculation that the broker was acting for the Saudi Arabia-based Jameel family, which already holds an 18 per cent stake in Hartwells. The shares climbed to 118p before coming back to 108p, a gain of 11.

Kwik-Fit rose on *talk that* the company had failed to obtain a ruling from the UK Takeover Panel forbidding Continental AG, the West German tyre maker which holds a 13 per cent stake in Kwik-Fit, from making a bid.

There was also talk in the afternoon that Continental had returned to the market and was buying Kwik-Fit shares to add to its stake. Shares gained 12 to 132p.

Kwik-Fit shares had been on the retreat on talk that Continental AG, was no longer interested in mounting a bid.

Western Motor dropped 17 to 483 on the news that talks about a management buy out had foundered.

Several stocks were helped by the bid talk surrounding Williams. Having risen steadily through out the day, Yale & Valor, in which Williams has a 5.8 per cent holding, retreated to close at 303p, a gain of a penny on the day. BTR firmed 9 to 422p.

Clayhithe gained 7 to 171p as Nash Industries said it had acquired a 5.9 per cent stake in the company. Nash said it regarded the holding as a "strategic investment." Shares in Nash closed 2 better at 170p.

Coutaulds moved in a narrow range around Tuesday's 343p close after revealing interim profit figures 13 per cent lower than the same period last year. Analysts said the company was still due for a longer term re-rating, and Mr Lawrence Rubin at Kitcat & Aitken said investors should buy on weakness. The shares closed a penny better on the day.

A shortage of stock underpinned the thinly traded property sector. The presence of just one modest buyer pushed Laing 19 higher to 488p. Rosehaugh continued to be bolstered by talk that Olympia & York would make a bid, and also ahead of its results today. Analysts expect Rosehaugh to report net asset value of between 730 and 800p, against 584p last year. Rosehaugh added 21 to 554p.

Ranks Hovis McDougall dipped slightly, despite a 13 per cent rise in full year profits to £176.5m, which was in the middle of analysts' expectations.

Some analysts said a doubling of property profits had pushed earnings up. "If you strip out these, earnings were at the lower end of expectations," an analyst explained.

However, several analysts cut their forecasts for the current year: BZW now estimate around £190m compared with £202m previously; and Charterhouse Tilney predict £194m *versus £205m. The analysts* cited a number of reasons for their lower estimates, including an expectation that property profits may not be so strong this year, and also of higher finance charges.

But analysts at SG Warburg left their £208m forecast unchanged, commenting that there was still scope for RHM to increase still further its profitability in its strong milling and baking divisions. However, they said its share price had fallen today on worries about RHM's high level of gearing, excluding brand valuation, and also on concern about possible acquisitions in Europe. RHM closed 2 lower at 422p.

United Biscuits were traded in brisk two-way activity, *though dealers were at a loss* to explain why 1m shares traded. UB closed 5 higher at 354p. Unilever remained weak after reports that a large security house was set to downgrade. Unilever closed 2 lower at 648p.

Argyll stabilised after recent falls as the market recovered from talk earlier in the week that it might buy Gateway stores from Isosceles. Argyll closed a penny off at 195p.

USM-quoted video rental chain Cityvision rose 6 to 131p after saying it intended to apply for a full listing and that it expected dealings to begin on November 30. The company has just opened its 50th store and has more than three times as many open now than at the beginning of the year. USM-quoted Radio Clyde edged *lower despite a 29 per cent* improvement in full year profits to £1.95m. The shares shed 5 to 298p.

Reed International rose steadily on the back of its purchase of US legal publisher, Martindale-Hubbell, for$303.7m. Dealers said that Reed had a good track record in the US with similar acquisitions. The shares closed 9 better at 410p. A shortage of stock helped BAA add 8 at 357p.

A 16 per cent improvement in interim profits from Whitbread was described by dealers as at the top end of the range of expectation, but investors' attention was elsewhere and the "A"shares slipped a penny to 368p.

Boots sagged ahead of interim figures today. Sentiment was not helped by a *negative results preview from* County NatWest WoodMac. "We expect the figures to be accompanied by worrying reports of the lack of progress on Ward White, among other things," said Mr John Richards. His forecast for today's profit is £146m, in the middle of the market range.

Dixons slipped a penny to 103p as Goldman Sachs once again cut its profits forecast for the company. This year's figure was trimmed from £50m to £40m and assumes a £10m loss on UK retailing. Next year, Goldman thinks Dixons will make £45m, instead of £60m. The changes were inspired by a monthly consumer confidence poll which continued to show the public's unwillingness to make major purchases. "Dixons has said its sales follow this indicator closely," said Mr Paul Deacon of Goldman.

Talk that Kleinwort Benson had published a buy note on Kingfisher helped the shares climb 5 to 277p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 25

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,300	129½	+½
Abbey National	2,400	155	
Allied-Lyons	379	470	+2
Amstrad	3,300	40	-4
Argyll Group	2,300	195	-1
Ass. Brit. Foods	73	397	+1
BAA	2,400	357	+8
BAT Inds.	8,900	780	-3
BET	315	268	+5
BICC	329	431	+1
BOC	935	496	-2
BPB Inds.	739	223	-1
BTR	1,100	422	+9
Barclays	995	511	-1
Bass	224	961	+1
Blue Circle	1,800	214	+1
Boots	2,800	254	-5
Brit. & Comm.	12,100	92	-16
Brit. Aerospace	1,400	597	-7
British Airways	3,200	201	-½
British Gas	6,200	204½	+3½
British Land	471	361	-2
BP	2,900	303	+2½
British Steel	4,900	126½	
British Telecom	5,400	265½	-1
Burmah Oil	289	657	+3
Burton	1,700	175	
Cable & Wireless	5,800	481	-10
Cadbury Schweppes	762	332	-2
Carlton Comms.	156	815	-3
Commercial Union	281	444	+1
Cookson	642	246	-3

Stock	Volume 000's	Closing Price	Day's change
Courtaulds	1,100	344	+1
Dalgety	69	373	+2
Dixons	252	103	-1
Eng. China Clays	568	388	+7
Enterprise Oil	637	618	+2
Fisons	900	329	+2
General Accident	239	1045	+2
General Elect.	545	209	-1
Glaxo	610	1443	-1
Globe Inv.	67	186	+1
Glynwed Int.	425	243	+1
Granada	1,500	320	-1
Grand Met.	1,200	520	
GUS A	74	1010	+3
GRE	508	214	+1
GKN	297	373	+1
Guinness	1,200	587	
Hammerson "A"	134	770	
Hanson	9,300	221½	+5
Harrisons & Cros.	2,300	145	
Hawker Siddeley	320	614	-3
Hillsdown Hldgs.	707	254	+2
IMI	19	205	+1
ICI	742	1038	+2
Inchcape	456	255	+1
Jaguar	471	832	+1½
Kingfisher	2,200	277	+5
Ladbroke	443	295	
Land Securities	382	583	
Laporte	32	465	+1
Legal & General	640	349	+2
Lloyds Bank	1,000	419	+2

Stock	Volume 000's	Closing Price	Day's change
LASMO	460	522	+4
Lonrho	3,100	264	-2
Lucas	671	561	-4
MB Group	76	177	
MEPC	139	493	+2
Marks & Spencer	1,900	190½	-½
Maxwell Comm.	1,200	222	-1
Mecca Leisure	321	158	
Midland Bank	705	332	+1
NatWest Bank	641	326	+1
Next	675	95	
Northern Foods	138	296	+2
Pearl	1,200	690	
Pearson	133	715	
P & O	1,200	553	-2
Pilkington	2,700	230	+5
Polly Peck Intl.	5,500	381	+13
Prudential	1,300	198	+3
RHM	894	422	-2
RMC	404	649	+2
RTZ	995	523	-7
Racal	6,600	243	+4
Rank Org	383	843	+4
Reckitt & Colman	385	1175	-6
Redland	229	523	+5
Reed International	1,200	410	+9
Reuters	1,998	911	-1
Rolls Royce	1,500	157	-3½
Rothmans	606	840	
Royal Bk of Scotland	427	179	-1
Royal Insurance	652	479	+4
STC	2,100	278	+3

Stock	Volume 000's	Closing Price	Day's change
Saatchi & Saatchi	784	331	+3
Sainsbury	2,300	253	+1
Scot & Newcastle	659	347	
Sears	706	102	
Sedgwick	788	279	
Shell Transport	1,200	432	-3
Siebe	1,100	435	+7
Slough Ests	175	358	+2
Smith & Nephew	711	134½	+1½
Smithkline Beecham	464	543	+2
Smiths Industries	359	560	-4
Standard Chartered	1,000	525	+12
Storehouse	992	113	
Sun Alliance	445	294	+½
T&N	618	179	+4
TI Group	165	435	-1
TSB	6,100	116	+4
Tarmac	6,300	214	+3
Tate & Lyle	463	360	+2
Taylor Woodrow	910	258	+1
Tesco	3,800	186	-1
THORN EMI	291	727	-3
Trafalgar House	117	350	+4
Trusthouse Forte	389	277	
Ultramar	1,400	329	+1
Unilever	441	648	-2
United Biscuits	1,000	354	+5
Utd. Newspapers	241	460	
Wellcome	124	705	
Whitbread "A"	1,800	368	-1
Williams Hldgs.	7,423	238	+13
Wimpey	113	325	-1

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (90). BRITISH FUNDS (1) AMERICANS (1) CANADIANS (2) BANKS (1) INDUSTRIALS (2) Hestair, ISS-Int Serv. Sys. B, INSURANCE (1) SOUTH AFRICANS (1) TRUSTS (17) OILS (1) OVERSEAS TRADERS (4) MINES (29).

NEW LOWS (58). AMERICANS (2) BREWERS (1) BUILDINGS (3) CHEMICALS (1) STORES (3) ELECTRICALS (3) ENGINEERING (3) FOODS (1) INDUSTRIALS (13) Aaronson, BSS, Bowater, Brown & Tawse, Chesterpate, Dolphin, Electrolux, Erskine House Grp., Hasting 8¾pc Pf., Lynx, Powell Duffryn, Scot. Heritable, Scott Robertson, Westmex, INSURANCE (1) MOTORS (1) NEWSPAPERS (1) PAPERS (3) PROPERTY (7) TEXTILES (1) TRANSPORT (2) TRUSTS (8) OILS (1) MINES (1) THIRD MARKET (2).

APPOINTMENTS

Senior posts at Girobank

■ GIROBANK has appointed as general managers corporate banking: Mr Richard Banks (north, including Ulster); Mr Alistair MacLeod (west); Mr Stephen Anderson (east); and Mr David Martin (special responsibilities for privatisation). Mr Doug Martin (north) and Mr Paul Williams *(south) become general* managers personal banking.

■ Miss Christine Harman has been appointed finance director of DARCHEM BUILDING SYSTEMS.

■ KBD GROUP, Heybridge, has appointed Mr Ken Moss as director and consultant, strategic planning. He was director of light truck programmes, Ford of Europe.

■ Mr Olivier Delage has been appointed managing director of EMERSON EUROPE, London. He joins from the St Louis-based parent company Emerson Electric Co.

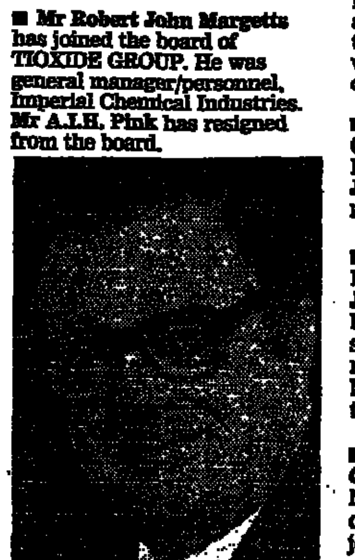
■ *Mr John Calvert* has been appointed finance director of MAYFLOWER GROUP. Mr Gearoid Stanley has been appointed managing director of Capital Market & Treasury Services (Asia), a subsidiary.

■ Mr Don Godfrey has been appointed UK sales director of WINTER PARTNERS (UK).

■ THE ALBERT FISHER GROUP has appointed Mr Raymond Edwards as chief executive, food processing and distribution; and Mr Keith *Curtis as chief* executive, frozen food.

■ Mr Didier Pineau-Valencienne, chairman and chief executive of French electrical corporation Schneider, has become a vice president of ROFFEY PARK MANAGEMENT COLLEGE.

■ Mr Robert John *Margetts* has joined the board of TIOXIDE GROUP. He was general manager/personnel, Imperial Chemical Industries. Mr A.I.H. Pink has resigned from the board.



Mr Iain Mackenzie *(above)* has been appointed non-executive chairman *of SUS HOLDINGS*, Walsall. He was a director of Kalamazoo. Mr Keith Meadows becomes a non-executive director. He was managing director of DPCE Holdings.

■ Mr Howard Greenfield, regional chairman of British Gas, north western, is to lead the BRITISH GAS regional organisation review in London *from the end of the year.*

■ Mr Stephen C. Jones has been appointed deputy managing director of Thurgar Bolle, a subsidiary of THURGAR BARDEX.

■ ALLIANCE & LEICESTER BUILDING SOCIETY has appointed Mr Niall Crowley to the board from January 1 when he retires from the board of Allied Irish Bank.

■ FURNESS-HOULDER (INSURANCE) has appointed Mr William Collins and Mr John W. McLaren as joint managing directors.

■ MEES & HOPE SECURITIES HOLDING has appointed Mr J.S. Quirk to the boards of Mees & Hope Securities and stockbrokers Shaw & Co, recently acquired by the group. Mr J.C.A. Bijloos also joins the board of Shaw & Co.

■ Sir John Hedley Greenborough, chairman of Newarthill, and a deputy chairman of Lloyds Bank, has joined the management board of the ADAM SMITH INSTITUTE, the market economics think-tank.

■ *KODE INTERNATIONAL*, Swindon, has appointed Mr Derek Hornby as a non-executive director. He is chairman of Rank Xerox (U.K.).

SEAGRAM INTERNATIONAL has appointed Mr Patrick J. Copeland *(above)* as president, Seagram Europe, based in London. He joins from the Inter-Continental Hotels Corporation where he was chief executive, *and* replaces Mr Myron Roeder who has become president of The Seagram Company's Tropicana International.

■ Mr Robert Preston has been appointed director-in-charge of RACAL MICROELECTRONIC SYSTEMS. He has been with the group since 1962.

■ MOUNT CHARLOTTE HOTELS has appointed Mr William Bailey as group marketing director. He was sales and marketing director of the recently acquired Thistle Hotels.

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AUTHORISED UNIT TRUSTS

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GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 01-407 4404						
Wellington Income	5¼	134.0	136.4	144.2	+0.2	5.22
Wellington Growth	5¼	220.1	222.0	236.2	+0.5	1.32
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432						
Wessex UK Gwth	4½	104.9	108.3	112.8	+0.2	2.96
Whittingdale Unit Tst Mngmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3132						
Challenger ♦ F	2¼	61.05	61.05	62.56	+0.20	0.00
Short Dtd Gilt ♥ F	1¼	81.87	81.87	83.05	+0.02	7.17
U.S. Govmt Bond ♦ F	1¼	$.5770	.5770	.5847	+0.007	0.00
Willbro Financial Services Ltd (0905)F						
PO Box 515 Austin Friars, London EC2 01-588 7511						
Aust Friars W'wide	5	193.1	196.6	209.1	+3.8	2.52
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Growth & Equity	5	58.11	58.42	62.14	-0.26	7.59
European	5	76.64	77.12	82.04	+0.59	0.10
Far Eastern	5	64.51	69.97	74.43	+1.0	0.63
Growth Inc	5	75.36	78.78	83.81	+0.11	1.62
Growth Acc	5	75.43	78.85	83.88	+0.1	1.62
Income Inc	5	73.89	76.20	81.05	-0.85	5.26
Income Acc	5	73.99	76.30	81.16	-0.85	5.26
Property Share	5	47.10	47.10	50.20	-0.12	1.11
Smaller Co's	5	48.84	48.84	51.98	+0.35	1.85
Nth American	5	64.26	64.26	68.72	+0.3	1.98
International	5	49.03	49.03	52.43	+0.21	1.40
Asset Value	5	156.45	156.45	167.32	+1.27	4.45
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Intl Growth	5	112.91	112.91	118.85	+0.92	3.95
UK Growth	5	92.40	92.40	97.26	-0.28	3.08
UK Income	5	95.84	95.84	100.89	-0.11	4.46
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	55.68	57.04	61.66	+0.02	2.89
YUTM UK Eqty Inc Tst	5¼	55.31	57.02	60.66	+0.39	4.89
YUTM Intl Gwth Tst	5¼	56.52	56.51	60.31	-0.07	0.71

OTHER UK UNIT TRUSTS

	Bid	Offer	+ or -	Yield
Baillie Gifford & Co Ltd				
Int'l Expt November 15	554.2	574.8	----	0.68
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund Oct 31		512.35	----	4.98
Fxd Int Sec Oct 31		136.45	----	10.48
Deposit Oct 31		100.00	----	14.22
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS 01-280 2800				
C'inco Inc Nov 22	161.5	165.8	-0.80	9.82
C'inco Acc Nov 22	678.9	696.9	-3.70	9.82
C'share Inc Nov 22	151.3	157.1	-1.00	3.80
C'share Acc Nov 22	167.4	174.0	-0.90	3.80
CAFINVEST–Charities Aid Foundation				
48 Pembury Rd, Tonbridge TN9 2JD 0732 771333				
Balanced Growth	51.48	52.94	----	4.00
Income	49.39	50.40	----	8.00
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income Oct 31		489.94	----	5.25
Accum Oct 31		1657.68	----	-
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American Nov 22	148.5	152.6	+3.4	1.47
Managed Nov 22	136.7	141.8	-0.9	2.09
Japan Nov 23	154.8	159.1	+1.8	0.13
Pacific Nov 17	539.3	554.1	+8.0	0.19
Sm Jap Cos Nov 3 (exmpt)	374.0	384.3	----	0.09
Fidelity Investment Services Ltd				
Mngd Pens P'folio	133.2	136.9	+1.00	0.74
Robert Fleming Asset Mngmt Ltd				
Am Exempt Nov 21	£451.18	357.42	----	2.38
Gen Exempt Nov 21	£125.91	128.47	----	3.87
Jap Exempt Nov 21	£706.90	728.73	----	0.53
Pacific Exempt Nov 21	£103.96	106.49	----	2.41
Cont Euro Exmpt Nov 21	£95.03	96.86	----	2.63
Indexed Exempt Nov 16	£115.58	118.67	----	4.99
O'seas Indxd Expt Nov 16	£115.8	118.4	----	1.89
Foreign & Colonial Pens Mngt Ltd				
Exempt Funds				
Anglo-Nippon Nov 20	2263.5	2396.7	+7.8	0.81
European Inc Nov 20	110.5	116.5	+2.9	1.79
European Acc Nov 20	117.9	124.9	+2.9	1.79
North American Nov 20	593.1	615.1	+20.5	1.50
South East Asia Nov 20	317.5	333.6	+8.0	2.05
Funds in Court*				
Capital Nov 16	486.1	487.3	----	2.11
Gross Nov 16	198.3	199.5	----	7.29
High Yield Nov 16	290.9	291.5	----	5.89
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	50.41	52.79	+0.17	3.00

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Premium Life Assurance Co Ltd

37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or –	Yield Gross
American	122.0	129.0	—	–
Building Soc. Fd.	177.0	187.0	—	–
Balanced	278.0	293.0	+1.0	–
European	190.0	200.0	+1.0	–
GT Managed	182.0	192.0	—	–
Gartmore Mngd	128.0	135.0	+1.0	–
German	152.0	160.0	—	–
Gilt	172.0	182.0	—	–
Global	48.0	51.0	—	
High Inc	106.0	112.0	—	
International Equity	194.0	205.0	+2.0	
Japan	283.0	298.0	—	
Managed	56.0	59.0	—	
Property	298.0	314.0	—	
R. W. Imperial Gold	146.0	154.0	—	
UK Equity	314.0	331.0	—	
Pension Funds				
American	153.0	162.0	—	
Building Soc. Fd.	180.0	190.0	—	
Balanced	218.0	230.0	—	
European	169.0	199.0	—	
German	132.0	139.0	—	
Gilt	153.0	162.0	—	
International Equity	141.0	149.0	—	
Japan	145.0	153.0	—	
Managed	62.0	66.0	—	
Property	228.0	240.0	—	
UK Equity	302.0	318.0	+1.0	

Professional Life Assurance Co Ltd

Frobisher Hse, Nelson Gate, Southampton 0703 232323

	Bid Price	Offer Price	+ or –	Yield Gross
Pension Managed Fund	93.14	98.44	—	–
Pensions Cash Fund	81.94	86.25	—	

Prolific Life & Pensions Ltd

Stramongate, Kendal, Cumbria LA9 4BE 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or –	Yield Gross
Life Funds				
Balanced Grwth Mngd	598.1	630.3	+1.4	
Adventurous Mngd	130.2	137.5	+0.6	
Secure Mngd	108.7	114.6	—	
Cash Fd	241.6	254.6	—	
Property Fund	299.3	315.4	—	
Equity Fund	674.1	710.4	+2.2	
Fxd. Int. Fund	292.0	307.7	-0.3	
International	327.0	347.9	+0.3	

Prudential Holborn Pensions Ltd – Contd.

	Bid Price	Offer Price	+ or –	Yield Gross
Index Linked Gilt	203.6	214.4	+0.3	–
Guaranteed	13.93		-0.12	–
International Money	212.0	223.2	-0.7	–
North American	80.8	85.1	-0.3	–
Japanese	164.0	172.7	+1.1	–
European	106.9	112.6	+0.5	–
Special Situations	107.4	113.1	+0.4	–
Communications	102.2	107.6	-0.1	–
Smaller Companies	103.1	108.6	-0.2	–
International Small Cos	141.7	149.2	+0.2	–

Prudential Pensions Limited

Holborn Bars, London EC1N 2NH 01-548 3281

	Bid Price	Offer Price	+ or –	Yield Gross
Discretionary Nov 8	£159.82	164.86	—	–
Equity Nov 8	£169.64	175.84	—	–
International Nov 8	£28.30	28.93	—	–
Intl Bond Nov 8	£12.87	13.04	—	–
Fixed Int Nov 8	£74.12	74.94	—	–
Index Linked Nov 8	£63.78	64.58	—	–
Property Nov 8	£116.51	123.38	—	–
Cash Nov 8	£22.0906	22.0906	—	–
Pre-Linked Retirement Plan				
Managed Nov 9	387.0	403.2	—	–
Cash Nov 9	207.2	215.9	—	–
Prudential Pensions Investment Account				
Pens Mngd Nov 22	153.4	165.3	-0.9	–
Pens UK Eq Nov 22	279.4	301.4	-3.0	–
Pens Intl Nov 22	199.1	214.4	+1.0	–
Pens Fixed Nov 22	169.3	178.9	+0.4	–
Pens Index Lk Nov 22	163.4	172.7	+0.3	–
Pens Cash Nov 22	135.2	142.5	—	–

Regency Life Assurance Co Ltd

Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or –	Yield Gross
Aggressive Ptflio Fd	118.6	124.8	-0.7	–
Balanced Ptflio Fd	309.1	325.3	-2.1	–
Cautious Ptflio Fd	122.8	129.2	-0.3	–
Elite Fund	103.9	109.3	-0.9	–
European Fund	93.7	98.6	-0.2	–
Far East Fund	112.1	117.9	+0.2	–
Fixed Interest Fund	245.6	258.5	-0.8	–
International Fund	293.8	309.2	-2.1	–
Money Fund	182.5	192.0	—	–
N. American Fd	126.6	133.2	-0.8	–
Property Fund	391.1	411.6	+1.2	–
UK Equity Fd	362.8	381.8	-3.9	–

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

[illegible]

ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

OFFSHORE INSURANCES

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
133½	124	Treas 2pc IL '90(84.6)	133¾	+½	2.09	9.98
99½	98½	Exch 11pc 1990‡‡	99½	.....	11.10	14.56
101½	99½	Exch. 12¼pc 1990	99½	.....	12.59	14.56
96¼	91½	Treas. 3pc 1990	96¼	.....	3.12	11.77
97¾	95¾	Treas 8¼pc 1987-90‡‡	97¼xd	.....	8.49	13.82
98½	95¼	Treas. 8pc Cv 1990 ‡‡	96½	.....	8.29	13.76
98½	96½	Treas. 10pcCv 1990	96½	+½	10.32	13.70
93½	87½	Exch 2½pc 1990	92½	.....	2.70	10.41
101½	98½	Treas 11¾pc 1991	98¼	+½	11.96	13.36
93¼	89¾	Funding 5¾pc '87-91‡‡	92¾	.....	6.20	11.59
90⅞	86½	Treas. 3pc 1991	90½	.....	3.32	10.23
100½	95½	Treas 10pc Cv '91 ‡‡	96½	−½	10.41	12.70
101½	96½	Exch. 11pc 1991	97½	+½	11.29	12.51
94½	91½	Treas. 8pc 1991	92½xd	+½	8.68	12.47
106½	100½	Treas 12¾pc 1992‡‡	101½	+½	12.61	12.10
99½	95½	Treas 10pc 1992	95¾	+½	10.43	12.11
94½	90½	Treas. 8pc 1992 ‡‡	91½	+½	8.73	12.12
100¼	96½	Treas 10½pc Cv 1992‡‡	96½	+½	10.83	11.96
85¾	82¼	Treas. 3pc 1992	84½xd	−½	3.55	10.01
105½	100½	Exch 12¼pc '92	100½	+½	12.18	11.95
109¾	103½	Exch 13½pc 1992	103½	+½	12.99	11.81
94½	90½	Treas 8¼pc 1993	90½	+½	9.06	11.67
100½	95½	Treas 10pc 1993‡‡	95¾	+½	10.44	11.52
108¼	102½	Treas 12½pc 1993‡‡	102½	+½	12.18	11.57
88½	84½	Funding 6pc 1993‡‡	86¾	.....	6.93	10.32
113¾	107¼	Treas 13¾pc 1993‡‡	107½	+½	12.82	11.42
94½	89¾	Treas. 8½pc 1994	90½	+½	9.41	11.45
117½	110½	Treas 14½pc 1994‡‡	110¾	.....	13.10	11.27
113½	106½	Exch 13½pc 1994	107½	+½	12.60	11.38
100¾	95½	Treas. 10pc Ln. 1994‡‡	95½xd	+½	10.44	11.22
110¼	103½	Exch. 12½pc 1994	103½	+½	12.02	11.35
96½	91½	Treas 9pc 1994‡‡	91½	+½	9.80	11.16

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

BRITISH FUNDS—Contd

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
[illegible]	98½	N'wide Anglia 12½pc 4.12.89	99½	.....	12.32	15.24
[illegible]	99½	Do. 12½pc 2.1.90	99¾	.....	[illegible]	15.27
[illegible]	98¼	Do. 12½pc 29.1.90	99½	.....	[illegible]	[illegible]
[illegible]	98¼	Do. 12½pc 26.2.90	99½	.....	12.73	[illegible]
[illegible]	98½	Do. 12½pc 19.3.90	99½	.....	[illegible]	[illegible]
[illegible]	98½	Do. 13½pc 23.4.90	99¼xd	.....	[illegible]	[illegible]
[illegible]	98½	Do. 13pc 14.5.90	99½	.....	[illegible]	[illegible]
[illegible]	98½	Do. 13½pc 4/6/90	99½	.....	[illegible]	15.11
[illegible]	99¼	Do. 14½pc 2.7.90	99½	.....	14.50	15.05
[illegible]	98½	Do. 13½pc 23.7.90	99½	.....	13.74	14.97
[illegible]	96½	Do. 13½pc 13.8.90	96½	.....	13.53	[illegible]
[illegible]	98½	Do. 13½pc Bd. 3.9.90	99½	.....	13.54	14.72
[illegible]	98½	Do. 3½pcIL Ln 2021	107½	.....	4.35	4.47
[illegible]	99½	Do. 4.25pcIL '24	100	.....	4.25	4.32

Public Board and Ind.

47	43	Met. Wtr. 3pc 'B'	45xd	.....	6.67	10.56

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
[illegible]	40	Greek 7pc Ass.	55		3.57	17.00
[illegible]	40	Do. 6pc 28 Stb Ass	50		[illegible]	16.00
[illegible]	40	Do 4pc Mixed Ass	52		[illegible]	15.00
[illegible]	65	Hung '24 Ass	80		2.75	13.57
[illegible]	126½	Hydro Quebec 15pc 2011	127½	+½	15.00	[illegible]
[illegible]	114½	Iceland 14½pc Ln 2016	125½	+½	14.50	[illegible]
[illegible]	90½	Ireland 9¾pc '91-96	90½xd		9.75	11.05

AMERICANS

[illegible]

Continued on next page

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

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AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

For Danbury see Property

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

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LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES – Contd

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ *Not officially UK listed; dealings permitted under rule 535(4)(a)*
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed *dividend and yield after pending scrip and/or rights issue.* H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	86	......
Craig & Rose £1.. γ	830xd	......
Finlay Pkg. 5p.... γ	66	......
Holt (Jos) 25p..... γ	1343	......

IRISH

Cap. 8½% Ln. 1991...	£96¾	......
9pc Cap Ln. 1996 ..	£96¼	–¼
Fin. 13% 97/02...	£116	......
Arnotts............	485xd	......
Carrol (P J.)...... γ	145	......
Hall (R. & H.)........	195	......
Heiton Hldgs........ γ	90	+2
IRG..............	230	......
United Drug.........	130	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons..............	41
Amstrad..................	6½
Astec (BSR)...............	5¼
BAT......................	67
BOC Grp..................	44
BTR......................	37
Barclays.................	40
Blue Circle..............	20
Boots....................	23
Bowaters.................	39
Brit. Aerospace..........	46
British Steel............	9
P & O Dfd................	51
Polly Peck...............	38
Racal Elect..............	28
RHM......................	39
Rank Org Ord.............	72
Reed Intnl...............	34
STC......................	25
Sears....................	9
SmKl. Beecham A..........	48
TI.......................	38
TSB......................	9
Tesco....................	16
Thorn EMI................	63
Trust Houses.............	23
T&N......................	16½
Unilever.................	57

Property

Oils

Mines

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark makes further gains

THE D-MARK continued to advance in thin foreign exchange trading yesterday but finished below the day's peaks against the dollar, sterling and the yen.

There was no immediate reaction to news of surprisingly aggressive action by the Federal Reserve in New York adding liquidity to the banking system. Technically the money market is likely to face a shortage across today's Thanksgiving holiday, but with Federal funds trading at only 8¾ per cent at the time of the action, it seemed likely the Fed would refrain from market action.

Liquidity was provided via five-day system repurchase agreements, leading to speculation that the Fed could be in the process of again easing its monetary stance. It could, however, be a purely technical manoeuvre, caused by today's holiday, but the market will now be watching closely for further evidence of the Feds monetary view.

Volume on the foreign exchanges was thin, ahead of public holiday's today in the US and Japan. West German markets were closed for a holiday yesterday.

The D-Mark's recent strength to a large extent reflects the lack of an attractive alternative. The dollar and the yen have no interest rate advantage over the West German currency. Euroyen rates are lower than Euro D-Mark rates and longer term Eurodollars are below the equivalent D-Mark rates. The Bank of Japan has dismissed suggestions of a higher discount rate, and the Fed may continue to lower US rates, unless the dollar collapses. The Bundesbank also appeared to be pursuing an easier credit policy, but this was before the eruption of events in eastern Europe. Potential inflationary pressure from the flow of refugees and temporary visitors from East Germany, is likely to make the Bundesbank cautious and could prompt higher German interest rates.

The dollar lost 1 pfennig to close in London at DM1.8100. It also fell to SFr1.6105 from SFr1.6175; to FFr6.1700 from FFr6.1975; and to Y143.65 from Y143.75. The dollar's index was unchanged at 69.6.

Sterling fell another 1¾ pfennigs to DM2.8325, the lowest closing level since the end of February 1987. Moves to challenge Mrs Margaret Thatcher, as leader of the Conservative Party, appeared to be gathering momentum, but the main factor depressing the pound was concern that today's trade data for October will show a larger deficit than the September current account figure of £1.64bn. The pound also fell 15 points to $1.5650 and declined to SFr2.5200 from SFr2.5350; to FFr9.6550 from FFr9.7075; and to Y224.75 from Y225.25. Sterling's index eased 0.1 to 87.1.

The yen continued to lose ground to the D-Mark. The German currency looks set to test Y80.00 in the near future. It closed at Y79.36 in London last night, against Y79.00 on Tuesday and Y79.23 yesterday in Tokyo.

£ IN NEW YORK

Nov.22	Latest	Previous Close
£ Spot	1.5655-1.5665	1.5695-1.5705
1 month	0.84-0.83pm	0.92-0.91pm
3 months	2.49-2.36pm	2.58-2.56pm
12 months	8.38-8.28pm	8.77-8.67pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.22	Previous
8.30 am	87.3	87.4
9.00 am	87.2	87.3
10.00 am	87.2	87.4
11.00 am	87.3	87.5
Noon	87.2	87.6
1.00 pm	87.0	87.6
2.00 pm	86.9	87.2
3.00 pm	87.0	87.2
4.00 pm	87.1	87.2

CURRENCY RATES

Nov.22	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling ‡	-	1.22853	1.38749
U.S Dollar	7	1.27893	1.12844
Canadian $	12.46	1.49635	1.32050
Austrian Sch.	6½	16.4061	14.3628
Belgian Franc	10¼	48.8104	42.8468
Danish Krone	10½	N/A	7.91938
[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Nov.22	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Nov.22	£	$
[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

Nov.22	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	12-11¾	12⅛-11⅞	12⅛-11⅞	12⅛-11⅞	12-11¾	11⅞-11⅝
D. Guilder	8⅝-8⅜	8⅝-8⅜	8⅝-8½	8⅝-8½	8¾-8⅝	8⅞-8¾
Sw. Franc	7⅛-6⅞	7⅛-6⅞	7⅜-7¼	7⅜-7¼	7⅝-7½	7⅞-7¾
Deutschmark	7½-7¼	7⅝-7½	7⅞-7¾	8⅛-8	8⅜-8¼	8⅝-8½
Fr Franc	10⅞-10⅝	10⅞-10⅝	10⅝-10½	10⅝-10½	10⅝-10½	10⅞-10⅝
Italian Lira	12-10	13-12	12⅞-12⅝	12⅞-12⅝	12⅞-12⅝	13-12⅝
B. Fr. (Fin)	9⅝-9⅜	9⅞-9⅝	9⅞-9⅝	10-9⅞	10-9⅞	9⅞-9⅝
B. Fr. (Con)	9¼-9⅛	10-9⅝	10⅛-9⅞	10⅛-9⅞	10⅛-9⅞	10-9⅝
Yen	6⅛-6⅛	6⅛-6⅛	6⅛-6⅛	6⅝-6⅝	6⅝-6⅝	6⅝-6⅝
D.Krone	12-11¾	12⅛-12	12⅛-12	12⅛-12	11⅞-11⅝	11⅞-11¾
Asian $Sing	8½-8⅜	8⅝-8⅜	8⅝-8⅜	8⅝-8⅜	8⅝-8⅜	8⅝-8⅝

Long term Eurodollars: two years 8⅜-8¼ per cent; three years 8½-8⅜ per cent; four years 8⅝-8⅝ per cent; five years 8⅝-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Nov.22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5590 - 1.5735	1.5645 - 1.5655	0.93-0.91cpm	7.05	2.56-2.53pm	6.50
Canada	1.8305 - 1.8410	1.8305 - 1.8315	0.52-0.44cpm	3.15	1.37-1.20pm	2.81
Netherlands	3.19 - 3.20¼	3.19 - 3.20	2-1⅞cpm	7.28	5¼-5⅛pm	6.57
Belgium	59.25 - 59.75	59.55 - 59.65	31-26cpm	5.74	80-73pm	5.13
Denmark	10.96½ - 11.04	11.02½ - 11.03½	2⅞-2¼orepm	2.65	7⅞-7¼pm	2.72
Ireland	1.0730 - 1.0800	1.0755 - 1.0765	0.40-0.35ppm	4.18	0.95-0.85pm	3.35
W. Germany	2.82½ - 2.84¼	2.83 - 2.83½	1⅞-1⅝pfpm	7.68	4⅞-4⅝pm	6.80
Portugal	244.60 - 246.90	244.75 - 245.75	31-13cpm	1.08	44-94dis	-1.13
Spain	180.95 - 182.45	181.90 - 182.20	15-6cpm	0.69	17-1pm	0.20
Italy	2084¼ - 2093¼	2087¼ - 2088¼	5-3lirepm	2.30	13-10pm	2.20
Norway	10.73½ - 10.77½	10.75¾ - 10.76¾	3½-3¼orepm	3.69	9-8½pm	3.25
France	9.64½ - 9.68	9.65 - 9.66	4¼-4cpm	5.05	10⅞-10⅝pm	4.38
Sweden	10.02 - 10.07½	10.06¼ - 10.07¼	2⅞-2⅝orepm	3.28	7⅝-7⅛pm	2.93
Japan	224¼ - 226¼	224¼ - 225¼	1⅝-1½ypm	8.34	4⅝-4½pm	8.12
Austria	19.83½ - 19.96½	19.93½ - 19.96½	11⅞-10⅞gropm	6.84	33¼-30¼pm	6.34
Switzerland	2.51½ - 2.53	2.51½ - 2.52½	1⅞-1⅝cpm	8.33	4⅝-4⅜pm	7.14
ECU	1.3900 - 1.4105	1.3905 - 1.3915	0.57-0.54cpm	4.79	1.46-1.41pm	4.13

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 59.65-59.75 Six-month forward dollar 4.79-4.74cpm 12 Months 8.65-8.55cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov.22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5590 - 1.5735	1.5645 - 1.5655	0.93-0.91cpm	7.05	2.56-2.53pm	6.50
Ireland†	1.4505 - 1.4615	1.4535 - 1.4545	0.34-0.30ppm	2.63	1.23-1.13pm	3.23
Canada	1.1690 - 1.1710	1.1695 - 1.1705	0.37-0.40cdis	-3.95	1.06-1.14dis	-3.76
Netherlands	2.0320 - 2.0500	2.0410 - 2.0420	0.04-0.02cpm	0.18	0.03pm-0.01dis	-0.04
Belgium	37.80 - 38.20	38.05 - 38.15	3.00-5.00cdis	-1.27	12.00-15.00dis	-1.42
Denmark	6.99¾ - 7.05¾	7.04½ - 7.05	2.45-2.80oredis	-4.49	6.60-7.10dis	-3.91
W. Germany	1.8005 - 1.8185	1.8095 - 1.8105	0.13-0.11pfpm	0.80	0.14-0.11pm	0.28
Portugal	156.75 - 157.20	157.05 - 157.15	73-83cdis	-5.97	290-320dis	-7.78
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.22	% change from central rate	% change adjusted for divergence	Divergence limit %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE BUND FUTURES OPTIONS

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING OPTIONS

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

JAPANESE YEN (IMM)

POUND-$ FOREIGN EXCHANGE

U.S. TREASURY BILLS (IMM)

DEUTSCHE MARK (IMM)

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT

THREE-MONTH EURODOLLAR (IMM)

US TREASURY BONDS 8%

SWISS FRANC (IMM)

STANDARD & POORS 500 INDEX

PHILADELPHIA SE £/$ OPTIONS

6% NOTIONAL GERMAN GOVT. BOND

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND

THREE MONTH STERLING

THREE MONTH EURODOLLAR

THREE MONTH ECU

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec	2182.0	2193.0	2174.0	2172.0
Mar	2224.0	2231.0	2217.0	2213.0
Jun	2564.0			2253.0

Estimated volume 4802 (4595)
Previous day's open int. 33733 (33149)

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 37,034
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Nervous trading

LONGER TERM interest rates eased on the London money market yesterday, but the shorter end showed little change, waiting for today's October UK trade figures and keeping a nervous eye on sterling's decline against the D-Mark.

UK clearing bank base lending rate 15 per cent from October 5

One-year sterling interbank fell to 14⅝-14½ from 14¾-14⅝ per cent, but the important three-month rate was little changed at 15⅛-15¼ per cent, compared with 15⅛-15⅛ on Tuesday.

On Liffe short sterling futures traded in a narrow range, but had a firmer tone, finishing at or near the top of the day's spread of prices. December delivery rose to 84.96 from 84.95, but the March contract was firmer, rising to 85.90 from 85.81. Dealers said that if the trade figures are bad, showing a current account deficit of over £2bn, short sterling will weaken; if the shortfall is £1.5bn or better, there is more potential in the March contract for recovery. This is because there is a chance of lower bank base rates by delivery of the March contract, but not before December delivery.

The Bank of England initially forecast a money market credit shortage of £500m but revised this to £550m at noon, and back to £500m in the afternoon. Total help of £488m was provided.

Before lunch the authorities bought £178m bank bills in band 2 at 14⅞ per cent; in the afternoon the Bank of England bought another £160m bills by way of £25m Treasury bills in band 1 at 14⅞ per cent and £135m bank bills in band 1 at 14⅞ per cent. Late assistance of around £150m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £262m, with Exchequer transactions absorbing £120m and a rise in the note circulation £125m. These factors outweighed bank balances above target of £5m.

In New York the Federal Reserve added temporary reserves to the banking system through five-day system repurchase agreements. This was more aggressive than expected with Federal funds trading at 8¾ per cent at the time, against the Fed's probable target of 8½ per cent.

In Amsterdam the Dutch Central Bank offered liquidity to the commercial banks via a seven-day special advances tender, at an unchanged 8 per cent, replacing a facility of Fl 3.09bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.22) 3 months US dollars / 6 months US Dollars

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

LONDON MONEY RATES

Nov 22	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BASE LENDING RATES

	%		%		%
ABN Bank	15	Clydesdale Bank	15	NatWestminster	15
Adam & Company	15	Comm. Bk. N. East	15	Northern Bank Ltd	15
Allied Trust Bank	15	Co-operative Bank	*15	Norwich Gen. Trust	15
Allied Irish Bank	15	Coutts & Co	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Cyprus Popular Bk	15	Provincial Bank PLC	16
Associates Cap Corp	14	Dunbar Bank PLC	15	R. Raphael & Sons	15
Authority Bank	15	Duncan Lawrie	15	Roxburghe G'rantee	15½
● B & C Merchant Bank	15	Equatorial Bank plc	15	Royal Bk of Scotland	15
Bank of Baroda	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	Financial & Gen. Bank	15	● Smith & Williamson Secs.	15
Bank Hapoalim	15	First National Bank Plc.	16	Standard Chartered	15
Bank Credit & Comm	15	● Robert Fleming & Co.	15	TSB	15
Bank of Cyprus	15	Robert Fraser & Ptnrs.	15½	United Bk of Kuwait	15
Bank of Ireland	15	Girobank	15	United Mizrahi Bank	15
Bank of India	15	● Guinness Mahon	15	Unity Trust Bank Plc	15
Bank of Scotland	15	HFC Bank plc	15	Western Trust	15
Banque Belge Ltd	15	● Hambros Bank	15	Westpac Bank Corp.	15
Barclays Bank	15	Hampshire Trust Plc	15½	Whiteaway Laidlaw	15
Benchmark Bank PLC	15	Heritable & Gen Inv Bnk.	15	Yorkshire Bank	15
Brit Bk of Mid East	15	● Hill Samuel	§15		
● Brown Shipley	15	C. Hoare & Co.	15		
Business Mtge Bank PLC	15½	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
		Midland Bank	15		
		Mount Banking	15		
		Nat Bk. of Kuwait	15		

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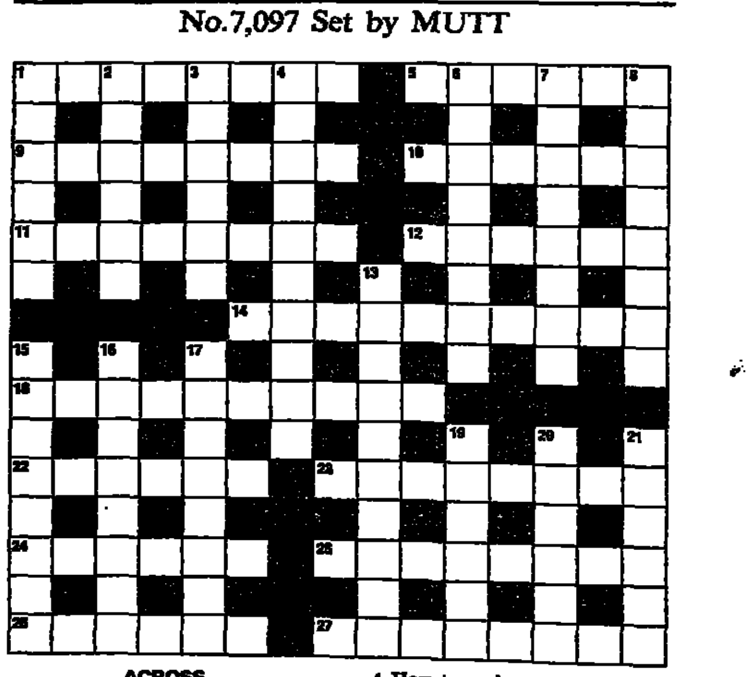
JOTTER PAD

CROSSWORD

No.7,097 Set by MUTT



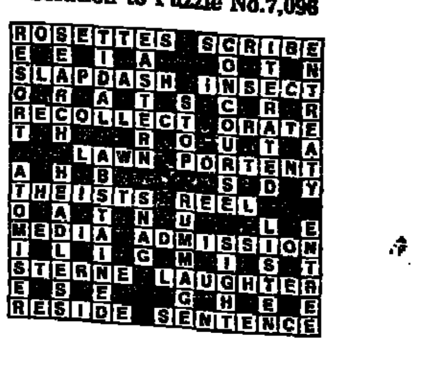
ACROSS

1 Footnote about Queen needing to be arranged in private (8)
5 Insect that gets into human tissue (6)
9 Ruby ain't given to a display of smooth manners (8)
10 A dainty learner following the code (6)
11 Home for a recluse (not married) left by ancestors (8)
12 Confined to skills that turn on sex appeal (6)
14 Terribly kind about poor hog - hot, and becoming rank (10)
18 Old Bob writes in journal in the out-patients' department (10)
22 Lines of pigtails (6)
23 Voyaging, strikes a star (8)
24 The fleet's in to charm a dame (6)
25 Reclines negligently in a muffler (8)
26 Bear close to the river (6)
27 Makes a new beginning by painting during breaks (8)

DOWN

1 Self-assertive, about 50, and rich looking (8)
2 Man takes a second to pause in climbing hill (6)
3 Elaborate discourse about National's opening (8)
4 How to make enemies reconciled from being against one (10)
6 A changed person, Dad goes over big at the gallery (8)
7 Effectively, he's willing? (8)
8 Peace and quiet being restored, slide out (8)
13 Silver King George sieves damaged when attacking (10)
15 This time, to equalise will be enough (8)
16 Upsetting encounters in the river should be respected (8)
17 Shift for oneself, having animal around as guard (8)
19 Fault in switch? (6)
20 Movement of singular tool (6)
21 Goes round in women's garments (6)

Solution to Puzzle No.7,096



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Nov. 21	Nov. 20	Nov. 17	Nov. 16	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Industrials	2639.29	2632.04	2652.66	2635.66	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.61	93.52	93.50	93.56	[illegible]	[illegible]	[illegible]	[illegible]
Transport	1158.25	1163.23	1191.15	1197.72	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220.01	220.01	221.08	222.40	222.40 (14/11)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2654.22 (2659.56) Low 2614.97 (2615.40)

STANDARD AND POOR'S								
Composite ‡	339.59	339.35	341.61	340.58	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	387.65	387.27	389.92	388.05	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	32.45	32.49	32.68	32.69	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	188.05	188.03	189.28	188.75	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	370.98	371.48	373.35	372.51	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	454.14	455.71	456.71	455.28	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov 17	Nov 10	Nov 3	year ago (approx.)
Dow Industrial Div. Yield	3.93	3.94	3.93	3.83
	Nov 15	Nov 8	Nov 1	year ago (approx.)
S & P Industrial div. yield	2.98	3.00	2.97	3.32
S & P Indl. P/E ratio	14.40	14.29	14.25	12.13

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Gen Motors E	3,148,900	54¾	− ⅛
Texas Util	2,952,900	34⅞	+ ⅛
Texas Instr	2,165,600	31¼	+ 2¼
Gt Ntbn Nekoosa	1,610,900	61⅞	− ¼
Philip Morris	1,596,100	40⅝	− ½
Georgia Gf	1,455,800	46¼	− 6⅛
Pinnacle W Cap	1,401,000	5½	− 1¼
McDonalds	1,330,700	32⅞	+ 1
Dun & B'dstreet	1,247,000	41⅛	− ½
Gen Electric	1,222,400	59½	+ ⅜

TRADING ACTIVITY

† Volume (Millions)	Nov 21	Nov 20	Nov 17
New York	147.900	128.170	151.020
Amex	11.579	12.628	13.980
NASDAQ	124.234	114.922	121.390
Issues Traded	1,982	1,959	1,958
Rises	626	467	770
Falls	836	1,008	682
Unchanged	520	484	506
New Highs	43	39	52
New Lows	82	61	41

CANADA

TORONTO	Nov 21	Nov 20	Nov 17	Nov 16	1989 HIGH	1989 LOW
Metals & Minerals	3362.20	3385.63	3403.61	3371.45	3919.2 (1/9)	3207.5 (3/1)
Composite	3933.61	3947.53	3957.57	3946.02	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	1995.37	2008.88	2017.66	2007.86	2069.68 (10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 22	Nov. 21	Nov. 20	Nov. 17	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1637.7	1629.3	1635.6	1634.4	1781.8 (29/8)	1412.9 (7/4?)
All Mining (1/1/80)	839.1	824.1	828.9	828.3	875.1 (29/9)	652.6 (7/4?)
AUSTRIA						
Credit Aktien (30/12/84)	407.48	411.70	416.54	414.20	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6681.19	6548.56	6505.50	6507.41	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	357.22	358.69	358.00	355.38	358.69 (21/11)	275.47 (27/2)
FINLAND						
Unitas General (1975)	591.6	607.5	618.9	626.9†	815.8 (13/4)	591.6 (22/11)
FRANCE						
CAC General (31/12/82)	514.1	515.4	516.6	516.8	561.6 (11/10)	417.9 (4/1)
Ind. Tendance (30/12/88)	117.9	117.4	118.6	118.0	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	(c)	641.49	648.86	647.14	690.91 (10/10)	535.79 (27/2)
Commerzbank (1/12/53)	(c)	1888.7	1910.3	1903.5	2056.8 (10/10)	1595.7 (27/2)
DAX (30/12/87)	(c)	1514.09	1532.70	1531.52	1657.61 (8/9)	1271.70 (13/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2812.02	2817.19	2820.28	2804.29	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1677.69	1681.78	1683.06	1678.69	1648.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	665.39	664.98	663.60	656.24	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	36286.92	36059.87	35893.58	35963.74	36256.92 (22/11)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2737.20	2717.65	2717.63	2717.90	2737.20 (22/11)	2366.91 (6/1)
2nd Section (4/1/68)	3704.55	3692.41	3686.95	3686.12	3804.11 (9/10)	2774.38 (27/3)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	250.8	248.9	251.4	251.9	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	192.6	191.1	193.0	193.4	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	609.87	615.08	618.75	618.85	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	(u)	1386.52	1396.26	1377.85	1396.26 (20/11)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1361.67	1349.42	1345.34	1337.69	1431.85 (12/10)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	2113.0♦	2057.0	1977.0	1970.0	2113.0 (22/11)	1291.0 (15/2)
JSE Industrial (28/9/78)	2571.0♦	2564.0	2560.0	2560.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	889.15	884.17	889.97	899.60	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	299.16	297.98	299.35	296.30	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	3870.6	3928.3	3987.3	3974.4	4660.3 (16/6)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	744.4	741.0	743.6	742.6	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	9995.28	10098.60	10269.04	10325.07	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	789.27	792.20	777.75	760.83	792.20 (21/11)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	530.4	529.2	531.2	551.2 (3/8)	487.6 (13/6)

**Saturday Nov.18: Taiwan Weighted Price: 10309.07. Korea Comp Ex. 900.33.
♦ Subject to official recalculation. † Correction.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday November 22 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Mt Ids	39.3m	770	+20	Sumitomo	11.8m	2,080	+30
Mitsui Fd Est	23.4m	3,160	−20	Sumitomo Mtl M.	11.8m	1,810	+20
Yasuda F&M	18.8m	1,880	0	Kobe Steel	11.6m	744	+14
Nippon Steel	17.2m	755	+15	Aoki	10.9m	1,660	+10
Morinaga Milk	13.2m	1,120	+40	Mitsui Eng&Shp	10.8m	915	+11

3pm prices November 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	21¼	AAR	.49	1.4	21	72	34½	34½	34½	
9⅝	2⅞	ACM n	1.01	11		154	9½	9⅜	9⅜	
11⅞	10¼	ACMIn	1.20	11.		248	11⅜	11¼	11¼	+ ⅛
10⅛	8	ACM M	n1.01	12.		292	8⅞	8⅝	8⅝	
11⅝	10	ACM Sc	1.26	11.		422	11⅜	11⅛	11¼	– ⅛
9⅞	5½	ACMSp	1.01	11.		1091	9¼	9	9⅛	– ⅛
18	11½	AL Lab	12	.8	15	130	16	15⅞	15⅞	– ⅛
4⅛	3⅛	AMCA	1.20	3.4	22	13	3½	3⅜	3½	+ ⅛
6⅛	4½	AM Intl			11	560	5⅝	5⅜	5⅜	– ¼
23½	19⅝	AM In pf	2	9.7		7	20⅝	20½	20⅝	
107¼	47¼	AMR			8	5593	65⅞	64¼	65¼	+ 1
6⅛	3⅞	ARX				143	3⅞	3⅞	3⅞	+ ⅛
55⅛	37⅞	ASA	3a	5.3		2075	u57½	55⅝	56¼	+ ¾
30¼	15¼	AVX	.24	.8	23	1530	29⅛	28⅞	28⅞	– ⅛
86½	44⅞	AbtLab	1.40	2.1	18	2479	67½	65¾	67⅝	+ 1½
16⅛	12⅛	AcmeC	.40	4.1	13	29	12⅝	12⅜	12⅝	+ ⅛
13	7½	AcmeE	.32	3.9	11	27	9⅞	9⅝	9⅝	
9⅛	5⅞	Acmr				3	8¼	8⅛	8⅛	– ⅛
32½	23⅞	Acuson			24	984	37	36	36⅛	– 1
15⅞	12⅞	AdaEx	2.06e	14		61	15⅝	15⅜	15⅜	– ⅛
12⅝	6½	Adobe				78	12⅛	11⅞	12⅛	+ ⅛
15⅞	7⅛	AMD				5260	7⅞	7⅛	7⅝	– ⅛
35	29⅛	AMD pf	3	10		50	30	29⅞	29½	– ⅛
15⅞	6⅛	Advest	.13	1.0	13	19	9	8⅞	8⅞	– ⅛
62½	46	AetnLf	2.76	4.6	10	813	60⅞	59⅞	60⅛	– ⅛
14	11⅛	AlIFb	.22	1.8		179	12¼	12	12¼	+ ⅛
25	15⅞	Ahmns	.88	4.4	10	1780	20	19⅞	19⅞	
3⅞	2¼	Aileen				150	2½	2½	2½	
		AirPrd	1.32	2.9	11	775	45	44½	44⅞	– ⅛

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
68⅞	49½	QuakrO	1.40	2.3	22	2113	60½	59⅞	60	+ ⅛
16⅞	13⅝	QuakSC	.80	5.2	27	115	15⅝	15	15⅛	
19	12½	Quanex	.32	2.2	6	115	14⅜	14¼	14¼	− ⅛
31¾	25½	Quanx pf2.28		8.8		46	25⅞	25⅝	25⅞	+ ⅛
59½	30¼	Quantm	.3e	8.8	2	665	34⅛	34	34⅛	+ ⅛
18	10⅛	QstVl	1.20a	9.2		302	13	12⅞	13	
14	7⅞	QstVC				125	12⅞	12⅝	12⅞	
38½	31⅛	Questar	1.62	5.2	15	22	36⅞	36⅞	36⅞	
18¼	10⅞	QkReily	.24	1.6	13	11	15¼	15⅛	15⅛	

— R—R—R —

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
12	9⅞	RAC In	n1.20	12.		136	10½	10¼	10⅜	
9⅛	1⅞	RAC	.60e	27.		156	2⅜	2⅛	2¼	
10½	7⅞	RLC	.20b	2.3	10	273	9	8⅝	8¾	− ¼
9⅜	6⅞	RLI Cp	.40	4.6	8	20	8¾	8⅝	8⅞	
19¼	12¼	ROC Fd				190	13	13	13	
7½	5⅛	RPS n	.57e	11.		113	5½	5⅜	5⅜	− ⅛
65⅞	29½	Racal	1.21e	2.0	57	963	60⅞	60	60¼	+ ¼
5⅝	2⅝	Radica n				5	2⅞	2⅞	2⅞	+ ⅛
101⅞	74¼	RalsPur	1.65	2.0	13	395	82⅞	81⅞	82⅜	+ ⅛
15⅜	8⅛	Ramad				536	9½	9⅜	9½	+ ⅛
9⅝	4⅞	RangrO			28	282	6	5⅞	5⅞	− ⅛
38⅛	30⅞	Raycm	.32	1.0	31	647	31½	31	31⅜	+ ⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38	21⅞	XTRA pf1.94		8.9		54	21⅞	21⅞	21⅞	− ⅛
4⅛	2	Zapata				508	2⅛	2½	2½	− ⅛
13¼	9⅜	Zemex	.40	4.3		3	9⅜	9⅜	9⅜	
21½	11½	ZenithE				767	12⅞	12	12⅛	+ ⅛
2½	⅛	vjZenLb				1373	5-16	d7-32	5-16	+ 1-32
21½	15⅝	ZenNll	.84	4.5	9	55	18⅞	18⅝	18⅝	+ ¼
10	6⅞	Zenix	1.20	16.		119	7½	7⅛	7⅜	
18½	12½	Zero s	.40	2.6	14	75	15⅞	14⅞	15⅛	+ ⅛
44¼	26½	Zurn	.76	2.0	16	79	39	38⅜	38⅞	+ ⅛
12⅞	10	Zweig	1.12e	9.3		319	12	11⅞	12	+ ⅛
9⅞	8⅛	ZweigTl	.96	9.8		916	9⅞	9⅝	9⅝	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices November 22

NASDAQ NATIONAL MARKET

3pm prices November 22

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Xicor		7	1215	3⅝	3½	3⅝	
YonEn$	.78e		153	21	20¾	21	
YelowF	.76	11	737	25½	25	25⅛	
YorkRs			101	7	6⅞	6⅞	− ⅛
ZionUt	1.44		73	29	28½	28½	− ½

FINANCIAL TIMES Thursday November 23 1989

AMERICA

Dow makes gentle rise in light pre-holiday trading

Wall Street

A MODESTLY higher bond market, and a stronger than expected durable goods order release for October helped the equity market to a gentle rise at midsession yesterday, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was quoted 9.17 higher at 2,648.46 on low volume of 95m shares by midsession. On Tuesday, the Dow rose 7.25 to 2,639.29.

Business was fairly subdued as traders wound down for today's Thanksgiving Holiday. The markets reopen on Friday, but this is normally a very quiet day, with many investors and traders staying away for an extended weekend.

The only economic news of note yesterday was the release of October durable goods orders which fell 0.6 per cent, a smaller drop than the 2 per cent expected by analysts. However, this figure was balanced by a sharp revision in the September data which had originally shown a small rise of 0.2 per cent but was revised to show a fall of 1.1 per cent.

The Commerce Department said that large swings in defence orders had strongly influenced the figures.

The bond market was quoted around ¾ point higher at midsession, which helped give a steady tone to equities. Elsewhere, the focus was on the dollar which has been weakening throughout the week, particularly against the D-Mark which has been benefiting from events in East Germany. The dollar was quoted at DM1.8100 at the New York midsession, off one pfennig from earlier in the session.

Equity analysts appeared to be a little more sanguine about prospects for the market yesterday after the rebound from the lows on Monday. The selling had been for a number of reasons, including rumours that some arbitrage funds were in trouble and had been liquidating some of their holdings of takeover stocks.

Deal issues were particularly weak on Tuesday but bounced back yesterday. AMR, the parent company of American Airlines, jumped $1⅛ to $65¼ and Hilton Hotels, a long rumoured takeover candidate, added $⅞ to $94⅞.

Among featured stocks yesterday was Texas Instruments, which has been enormously volatile this week. Its shares jumped $4⅛ to $36⅛ as news emerged that the company had been given a Japanese patent for an integrated circuit.

Avon Products was unchanged at $36⅛ after news that the company had agreed to sell its Parfums Stern subsidiary to an affiliate of Sanofi of France.

Holiday Corp gained $2⅛ to $72⅛. The stock had fallen $1 on Tuesday on rumours that its agreement to sell its Holiday Inn chain had run into snags, but then rebounded yesterday after Britain's Bass group said that the sale was going ahead as planned.

Chevron rose $⅛ to $63⅞ amid renewed speculation that Pennzoil may be building a stake in the company. The latest rumours follow a decision by Federal regulators to grant confidential status to part of a routine report filed by Pennzoil on its stock holdings, according to a US press report.

BancFlorida Financial fell $1⅛ to $8⅞ after the company said that its thrift subsidiary would not be able to meet one of the capital requirements which take effect on December 7.

Canada

GOLD SHARES were the only movers in light trading in Toronto at midsession. Profit-taking led gold issues lower after American Barrick announced a C$110m share issue.

The composite index fell 9.5 to 3,924.1 on volume of 18m shares. Advances edged ahead of declines, however, by 259 to 242. Thomson firmed C$⅛ to C$16⅛ following news that the company had substantially increased nine-month net profits.

ASIA PACIFIC

Investment trusts propel Nikkei to another record

Tokyo

SELECTIVE buying, encouraged by the yen's firmness overseas, sent the Nikkei average to a new high for the second day running, *writes Michiyo Nakamoto in Tokyo.*

Buying by investment trusts for newly launched index funds was largely responsible for a strong, early rise in the Nikkei, which climbed nearly 200 points in the first 15 minutes. The firm tone persisted throughout the day, leading the Nikkei to a peak of 36,387.65 before it closed 227.05 better at 36,286.92. The day's low was 36,097.99.

Advances were nearly double declines at 610 to 307, while 207 issues were unchanged. Turnover showed a further improvement to 922m shares from the 804m traded on Tuesday. The Topix index of all listed shares posted a strong gain of 19.55 to 2,737.20; in London trading, the ISE/Nikkei 50 index rose 2.72 from the Tokyo close to 2,072.34.

Mr Hiroshi Taguchi at Nomura Securities attributed yesterday's strength mainly to buying by funds linked to the Nikkei index. If it is large enough, a single fund such as the Y50bn Nikkei-linked fund seen in operation yesterday, can easily push the index up by more than 200 points.

Buying continued with relative optimism, even though the market will be closed for the Labour Thanksgiving Day holiday today.

Several new funds were targeted at large capitalisation issues. Steels benefited, with Nippon Steel rising Y15 to Y755 in heavy trading and Kobe Steel advancing Y14 to Y744.

Sumitomo Metal Industries topped the volumes list with 39.3m shares traded and gained Y20 to Y770. Besides being considered relatively cheap, it attracted hopes that better trade relations with the Soviet Union would help sales of its seamless oil pipes.

Speculative interest kept Sumitomo Metal Mining, up Y20 at Y1,610, in the limelight. It was also helped by the prospect of higher gold prices, following growing demand both domestically and abroad.

Mitsui Real Estate attracted interest because of the forthcoming listing of a subsidiary on the second section of the Tokyo Stock Exchange. It was argued that the subsidiary's share price, expected to rise to between Y6,800 and Y8,000 upon listing, would make Mitsui Real Estate's price look cheap by comparison. Mitsui Real Estate climbed to Y3,220 but finished down Y20 at Y3,160 in the second busiest trading of 23.4m shares.

Buying in large capital issues supported a 156.04-point rise in the Osaka index, lifting it to a third consecutive record of 37,457.23. Orix, the country's largest leasing company, advanced Y430 to Y6,830 on expectations that its earnings would be revised upwards.

Roundup

THE RISE and rise of the gold price, and difficulties among the dealing fraternity were probably the two most important features in the Pacific basin yesterday.

AUSTRALIA had another gold rush, as the metal traded over US$8 higher at about US$407.50 an ounce, the gold index jumped 58.6 (3.4 per cent) to 1,806.0 and the All Ordinaries index finished 8.4 higher at 1,637.7. Turnover was 150m shares and A$301m, up from 106m and A$179m on Tuesday.

CSR peaked at A$5.22 in the morning, on a 59 per cent rise in first-half profits, but closed only 2 cents higher at A$5.12 on a US$650m deal to buy the quarrying and concrete products group, ARC America of the US, from Hanson Industries. ANZ Banking Group rose 2 cents to A$5.58 on a 43 per cent rise in profits.

Meanwhile, Bond Corp and some of its associates, including Bell Group, were suspended from trading for failing to meet a deadline to send annual reports to shareholders.

NEW ZEALAND fell as Fletcher Challenge, which makes up about 21 per cent of the Barclays index, was marked down 11 cents to NZ$4.31 on a current year forecast of an earnings per share decline and a cut in dividend.

The index fell 11.33 to 2,070.57. Sentiment was not helped by the suspension of Jordan Sandman Futures from the New Zealand Futures Exchange, after it defaulted on a margin call.

SINGAPORE attracted institutional buying at home and from abroad, which pushed the Straits Times industrial index up 12.25 to 1,361.67, its third gain this week. Turnover picked up from 41m shares on Tuesday to 66m.

National Iron and Steel Mills rose 25 cents to S$7.50 on news that it was taking a 40 per cent stake in a joint venture with a leading Chinese construction company. Its warrants put on 15 cents to S$2.10.

HONG KONG had a thin day, with the Hang Seng index drifting 5.17 lower to 2,812.02. Turnover slipped to HK$770m from Tuesday's HK$887m and properties, strong earlier this week, saw some profit-taking.

There were suggestions that some investors may have been selling shares in order to cover short positions in the gold market as the bullion price soared.

TAIWAN found no respite from the selling and the weighted index shed 103.32 to 9,995.28 in lower volume.

Events signal end of Italian rights issue flood

William Cochrane examines the effect on the market of the current demand for funds

LAST WEEK may have rung the final bell for the Italian rights issue revival of 1989.

In quick succession, events combined to suggest that the equity investor needs a rest:

- a L454bn ($339m) Olivetti offer was 38.9 per cent undersubscribed;
- a L1,131bn funding by the telephone company, Sip, was delayed until the end of 1990;
- and Pirelli SpA, originally going for L437bn, reduced its rights issue price from L2,850 to L2,650 a share.

Sip apart, the tap will not be blocked, or turned off abruptly. Rights issues tend to come in three stages in Italy, from announcement, through shareholder approval, to an almost simultaneous pricing and launch manoeuvre, says Mr Peter Streatfeild, a director of County NatWest Securities in London.

Offers from Mediobanca and Gemina, aimed to raise L680bn and L118bn respectively, did not go ex rights until last Thursday, with the opening of the December Milan stock market account. According to the Prime Research Group of Milan, these two came into the frame last July and August.

However, Mr Roberto Morelli, Mr Streatfeild's associate director, says the queue of companies waiting to raise new equity is unlikely to get much longer in 1989. Apart from approaching holidays, the queue is long enough already.

Mr Morelli notes that Prime's November figures take in registered corporate capital inflows of L9,247bn, with another L2,764bn on the way. The total, admittedly prior to the Sip withdrawal, and any issues that might spill over into 1990, comes to L12,000bn compared with late September estimates of L10,000bn, and Prime totals of L4,971bn for 1988, L7,170bn for 1987 and L14,531 in 1986.

This year's rights issue revival mostly jammed itself into the second half, reflecting a July/August surge on the Milan stock exchange where share prices rose strongly and, uncharacteristically for the holiday season, in volume averaging L350bn a day.

Lately, the market has drifted in volumes of about one third of that halcyon level. There is little argument that rights issues, encouraged by the summer boomlet, contributed to its demise: professionals grew worried about the weight of funds being demanded from the market, and about the weaknesses of the mutual funds industry.

The small investor seems more cautious than he or she used to be. In 1984-86, the formation and rapid growth of the Italian mutual funds movement — from zero to a size almost equivalent to their UK unit trust counterparts — had a lot to do with stock market prices more than tripling over those two years.

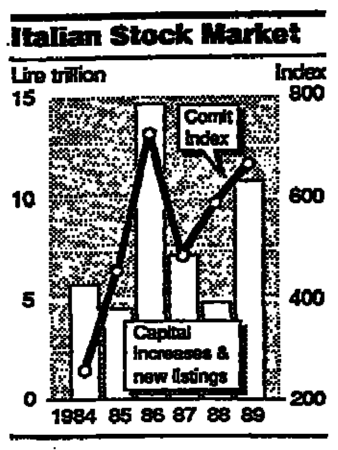
Stock market nature, of course, abhors any suggestion of a vacuum, and Milan sucked in the rights issue boom of 1986. This, ironically, was one component in a subsequent decline which took share prices down by more than 30 per cent over the next 22 months. The mutual funds industry has yet to recover from that blow.

Mutual funds went into reverse in August 1987, and saw two years of continuous redemptions until this August, when there was a net inflow of L138bn. The recovery was short-lived, reverting to net redemptions again in September and October.

Mr Morelli observes that the Italian equity market is marginal in relation to the economy at large, roundly L200 trillion (million million) in size compared with L1,000 trillion for both the Italian gross domestic product and the total of state debt.

"The bond market is five times the size of the equity market," he says, "and, in 1990, it is expected to see government bond issues of L736 trillion." Against that, L11 trillion of equity for 1989 is a drop in a bucket: Milan will have to grow up a bit and, perhaps, slow down its pulse rate to prepare the ground for privatisation — which could be the new equity flavour of the 1990s.

Italian Stock Market



THE RIGHTS issue situation highlights a certain frustration over the role of equity in the Italian financial system. This week Mr Franco Piga, president of the Italian bourse authority, Consob, said the bourse needed four pieces of legislation: on insider trading; on takeovers; on opening public banks to private capital; and on regulating new financial intermediaries (SIMs).

"If we get past mid-1990 without a law on insider trading or the SIMs," he said, "Italy will be totally marginalised within the European Community." In other words, a large part of its market could disappear to London.

Mr Piga's comments reflected concerns voiced by brokers, who have watched France and Spain introduce reforms that have revitalised their markets.

Proposals to reform Italian stock markets were first advanced several years ago, but have been languishing in Parliament with little sign of progress recently.

EUROPE

Chemicals galvanise investors into action

IN THE absence of a lead from Wall Street, or from the holidaying West German market, it was up to individual shares to provide the excitement in Europe yesterday. The chemical and defence sectors were both prominent, *writes Our Markets Staff.*

PARIS was kept reasonably busy with stories in individual stocks, although the overall market ended the last day of the monthly account only marginally higher. Turnover improved, to an estimated FFr2.8bn, but was still relatively subdued. The OMF 50 index was up 2.78 at 501.88.

Defence stocks were in demand after taking a battering on Tuesday. Thomson, which had fallen 7 per cent on concern over the proposed US defence cuts, recovered FFr1.90 to FFr154. But Avions Dassault plunged FFr35 to FFr530.

CGE was actively traded and attracted buying, notably from the UK, rising FFr9 to FFr483. It announced that its subsidiary, Alcatel, was to merge its satellite activities with those of state-owned Aerospatiale.

Cetelem, the consumer credit subsidiary of Compagnie Bancaire, jumped FFr35 to FFr617 after strong nine-month figures from the Bancaire group, of which it is the most profitable division. Bancaire itself, sensitive to high interest rates, rose just FFr1 to FFr625.

Pechelbronn, the holding company, initially fell FFr5 to FFr1,610, close to the indicated "support price" of FFr1,600 for minority shareholders under the anti-takeover plan to turn it into a limited partnership. But speculation that the AGF insurance group, a substantial shareholder in Pechelbronn, would fight the plan pushed the price up FFr35 to a closing FFr1,650.

Sanofi, the pharmaceuticals company, fell FFr24 to FFr986 after news that it would issue 1.4m new shares to finance its $210m purchase of Parfums Stern from the Avon group; it had earlier risen to FFr1,019. Rhône-Poulenc recovered FFr115 to FFr2,010 in anticipation of today's government plans for the re-organisation of the state chemical sector.

BRUSSELS attracted domestic and foreign interest for selective stocks, and the cash market index added 32.63 to 6,581.19.

Talk of the restructuring of the French chemical industry boosted chemical stocks in the final half hour. Speculation that Tessenderlo could be taken over by Elf Aquitaine of France pushed it up BFr680, or 9 per cent, to BFr10,500. Solvay, the largest Belgian chemical group, rose BFr125 to BFr14,500.

Société Générale de Belgique rose BFr50 to BFr3,435, amid rumours that it might merge its non-ferrous metals interests. There was also speculation in Milan that Mr Carlo de Benedetti might sell his remaining stake.

MILAN finished mixed in moderate trading, as stronger performances by De Benedetti group companies and insurance shares offset early losses in the chemicals sector. The Comit index edged up by 0.41 to 665.39.

The postponement until late next month of legislation offering fiscal breaks for corporate mergers continued to depress Montedison, L30 lower at L1,930, and Enimont, down L11 at L1,392.

De Benedetti's key holding company, Cir, rose L65 to L5,155, taking Olivetti up L115 to L7,835. Olivetti has been prone to market weakness recently; and so has the insurance sector, where Generali rose L320 to L41,800 and Ras put on L400 to L27,900.

ZURICH edged up in light trading, the Crédit Suisse index rising 2.1 to 605.7. Nestlé was prominent, its bearers adding SFr95 to SFr8,400 and registered shares SFr120 to SFr8,220 on a forecast that profits will rise by 15 per cent this year, and in 1990.

HELSINKI fell to its lowest level since March 1988 as a rise in short-term interest rates continued to damage sentiment. The Unitas all-share index lost 15.9, or 2.7 per cent, to 591.6.

STOCKHOLM also suffered from rising interest rates and declined in quiet trade. The Affärsvärlden General index dropped 19.6, or 1.7 per cent, to 1,126.8.

Gloom was reinforced by the publication of the annual autumn report from SE-Banken, the largest Swedish bank, predicting that the tax reform to be introduced next year would raise inflation and slow down economic growth.

Class B shares in Electrolux, the domestic appliance maker, fell SKr7 to SKr240 after it reported nine-month earnings at the low end of expectations.

AMSTERDAM was pleased with the insurance companies' third-quarter figures and the CBS tendency index rose 1.2 to 178.2, but volume was extremely low at Fl 365m. Amev added Fl 1.90 to Fl 58.19 and NatNed 90 cents to Fl 68.10.

MADRID edged higher after Tuesday's setback, the general index gaining 1.18 to 299.16.

ATHENS rallied on Tuesday's news that politicians had agreed to form a coalition government. The all-share index rose 27.89 points, or 5.9 per cent, to 502.72 — breaching 500 for the first time since the indecisive November 5 elections.

SOUTH AFRICA

LOCAL AND overseas demand helped gold shares rise sharply for a second day in Johannesburg, as the bullion price made further gains.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY NOVEMBER 21 1989						MONDAY NOVEMBER 20 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	145.83	−0.7	138.02	124.69	−0.3	5.34	146.89	139.70	125.06	160.41	128.28	145.11
Austria (19)	144.66	−0.6	136.91	136.83	−1.5	1.78	145.46	138.34	138.86	172.22	92.84	99.31
Belgium (63)	144.80	+1.5	137.04	136.59	+0.6	4.05	142.61	135.62	135.75	144.80	125.58	133.84
Canada (122)	148.58	−0.3	140.62	125.88	−0.4	3.23	149.00	141.70	126.34	154.17	124.67	118.92
Denmark (36)	228.43	+1.4	216.19	219.42	+0.4	1.44	225.23	214.19	218.64	228.43	165.35	151.73
Finland (26)	119.29	−0.5	112.90	106.47	−0.9	2.65	119.94	114.06	107.43	159.16	119.29	129.92
France (127)	133.77	+0.4	126.61	130.05	−0.4	2.86	133.27	126.74	130.60	139.94	112.57	110.13
West Germany (96)	99.22	−0.1	93.91	93.88	−1.0	2.22	99.35	94.48	94.83	103.84	79.58	87.51
Hong Kong (46)	119.29	+0.0	112.90	119.66	+0.0	4.76	119.30	113.45	119.67	140.33	86.41	106.73
Ireland (17)	160.63	+0.9	152.03	155.93	+0.2	2.84	159.24	151.44	155.55	166.69	125.00	132.85
Italy (97)	90.38	+1.2	85.54	90.47	+0.4	2.52	89.33	84.95	90.14	96.73	74.97	85.37
Japan (455)	186.90	+0.5	176.89	169.82	+0.0	0.48	186.03	176.91	169.86	200.11	164.22	190.54
Malaysia (36)	197.73	+0.7	187.14	206.22	+0.7	2.57	196.31	186.69	204.82	209.22	143.35	139.86
Mexico (13)	285.43	−0.9	270.14	825.43	−0.7	0.63	287.89	273.78	830.98	326.61	153.32	174.36
Netherland (43)	125.95	−0.1	119.21	117.99	−1.0	4.51	126.04	119.87	119.14	131.72	110.63	109.13
New Zealand (18)	75.33	+0.0	71.30	68.02	+0.3	5.20	75.34	71.65	67.83	88.18	62.64	70.58
Norway (24)	170.44	−0.2	161.31	159.22	−0.7	1.66	170.84	162.47	160.35	198.39	139.92	121.75
Singapore (26)	159.11	+0.7	150.59	143.64	+0.6	2.08	158.03	150.28	142.81	170.62	124.57	119.37
South Africa (60)	168.21	+1.5	159.20	147.37	+2.4	3.84	165.64	157.53	143.97	169.21	115.35	116.66
Spain (43)	154.07	+1.2	145.82	136.27	+0.3	3.84	152.23	144.77	135.91	169.75	143.14	153.07
Sweden (35)	164.58	−0.6	155.77	156.48	−1.2	2.19	165.59	157.48	158.36	188.94	138.45	135.52
Switzerland (64)	86.62	+0.4	81.98	86.86	−0.5	2.18	86.27	82.04	87.28	94.16	67.81	76.73
United Kingdom (305)	139.89	+0.5	132.39	132.39	+0.0	4.64	139.21	132.39	132.39	158.41	133.28	140.02
USA (546)	137.93	+0.0	130.54	137.93	+0.0	3.37	137.88	131.12	137.88	146.29	112.13	108.92
Europe (995)	124.35	+0.4	117.69	117.96	−0.3	3.56	123.81	117.74	118.27	132.95	112.63	115.35
Nordic (121)	167.19	+0.3	158.24	153.06	−0.5	1.86	166.77	158.59	153.83	178.38	137.95	129.32
Pacific Basin (668)	182.63	+0.4	172.85	165.98	+0.0	0.72	181.87	172.95	166.02	194.72	160.44	185.33
Euro−Pacific (1663)	159.40	+0.4	150.86	146.78	−0.1	1.63	158.72	150.94	146.92	166.98	141.56	157.32
North America (668)	138.46	+0.0	131.05	137.18	+0.0	3.36	138.44	131.66	137.16	146.66	112.79	109.45
Europe Ex. UK (690)	113.79	+0.4	107.70	109.04	−0.4	2.84	113.33	107.77	109.52	118.51	96.30	99.89
Pacific Ex. Japan (213)	131.44	−0.3	124.40	118.18	−0.1	4.82	131.86	125.40	118.27	140.05	111.93	123.10
World Ex. US (1858)	159.18	+0.4	150.66	146.31	−0.1	1.70	158.53	150.76	146.43	166.35	141.49	155.59
World Ex. UK (2099)	151.61	+0.3	143.49	144.54	−0.1	2.01	151.20	143.79	144.61	156.04	136.98	137.50
World Ex. So. Af. (2344)	150.44	+0.3	142.38	143.36	−0.1	2.22	150.01	142.66	143.45	155.92	136.67	137.84
World Ex. Japan (1949)	133.31	+0.2	126.17	129.81	−0.1	3.50	133.08	126.56	129.89	140.43	114.51	112.27
The World Index (2404)	150.54	+0.3	142.48	143.38	+0.0	2.23	150.11	142.75	143.45	155.89	136.68	137.71

Latest prices were unavailable for this edition.

SECTION III

FINANCIAL TIMES SURVEY

Hokkaido has largely missed out on Japan's post-war economic success. In recent years its primary industries have suffered badly and unemployment is high. An ambitious programme has now been launched to rejuvenate the economy. Ian Rodger reports

Sapporo, Hokkaido's principal city: it is the commercial and political centre of the island, and is the natural jumping off point for visitors

Hokkaido

A chance to catch up

HOKKAIDO, which has been *something of a neglected* cousin during Japan's post-Second World War war economic boom years, at last appears poised to take its place in the sun.

The second largest and northern most of Japan's four main islands, Hokkaido is the country's last frontier, a spacious, relatively underdeveloped region with a variety of natural resources and a hardy, diverse people. Because the island was not colonised by the *Japanese until the mid-19th* century, its social structure and business culture are much more fluid and open than those in other parts of Japan.

At a time when the Japanese economy seems to be bursting at the seams and when more and more Japanese people are looking to improve the quality of their lives, Hokkaido offers possibilities that simply do not exist elsewhere in the archipelago.

Up to now, Hokkaido's main role in the Japanese economy has been as a supplier of food and raw materials. The fisheries off its coasts provide 16 per cent of Japan's total haul, its forests yield 18 per cent of the country's timber output. *Its agriculture is bigger,* more varied and operated on a much *more efficient scale than that* elsewhere in Japan. Hokkaido produces about a third of Japan's fresh milk, potatoes, grains and beans.

Until recently, Hokkaido was also the main supplier of coal for Japan's power plants and steel mills, but this high cost industry is being run down because the government can *no longer justify protecting it.*

This economic profile indicates that Hokkaido has not participated fully in Japan's *rapid* post-war redevelopment. Indeed, its economy has grown at only about half the national rate in recent years and manufacturing occupies only about a quarter of the total industrial structure compared to a national average of 40 per cent.

To make matters worse, it has been the primary industries based in Hokkaido that *have borne the brunt of* international pressure on Japan in recent years to open its markets and integrate its economy with that of other countries.

The fisheries have been stunted by international agreements, coal production is being run down, agriculture is being hurt by the removal of protective barriers and public utilities *are increasingly being* forced to pay their own way. The biggest source of redundant labour in Hokkaido in the past three years has been from the national railway. As one of the regional entities in preparation for privatisation, JR Hokkaido has had to shed some 30,000 employees.

Not surprisingly, Hokkaido's unemployment rate is much worse than the national average. The job offers to vacancy rate is about *0.5:1* compared with the national average of 1.35:1. Worse, a net out-migration trend has emerged. Last year, for the first time in the post-war period, the population dipped by 1,800 to 5.68m, and the trend could accelerate this year as officials from labour-short companies in Honshu have started to come to Hokkaido to poach people.

Thus, the Hokkaido prefectural government, with much support from the national government, is trying hard to rejuvenate the island's economy. Last year, it launched a 10-year development plan, built around 15 strategic projects which it hopes to implement during the period. The 15 are divided into *five categories, according to* their objectives; these are improving the industrial base, making Hokkaido more cosmopolitan, renovating transportation systems, developing computer-based information systems for public services and improving the quality of life.

The projects themselves vary from the breathtakingly ambitions, such as the establishment of an spacecraft launch centre on the island, to the whimsical search for new ways to make people enjoy Hokkaido's cold, snowy winters.

It is not clear why 15 projects were chosen; officials admit privately that most are unlikely to make much headway. The one they put the most hope on is the development of Sapporo's Chitose airport. Tourism is probably Hokkaido's best hope in terms of industrial development now that Japanese people are becoming more interested in leisure, and so a large efficient airport is a necessity.

Already, the Tokyo-Sapporo air route is the busiest in the world with more than 6m people flying it in the year to March 31 1989. With many *resort developments under* way, it will get much busier. Also, the increasing congestion at Tokyo's Narita airport has opened an opportunity for Chitose to become a freight handling centre.

Hokkaido's governor, Mr Takahiro Yokomichi, is optimistic about the project to build a high speed, magnetically levitated (maglev) linear motor car line from Chitose to the centre of Sapporo. Many Hokkaido *officials* were depressed when the national government earlier this year chose Yamanashi prefecture west of Tokyo for the next round of maglev experiments, but that does not necessarily rule out the other.

The Sapporo-Chitose line would cover a distance of 45 km over flat terrain, and so could be built based on already proven technology and, in Mr Yokomichi's view, can be financed privately. It would be a welcome addition. At the moment, the road trip from Chitose to the centre of Sapporo takes at least an hour.

Among the other projects, the most promising ones would appear to be those that capital*ise on Hokkaido's natural* advantages to develop the food processing and information industries. Mr Yokomichi believes that Hokkaido's relaxed lifestyle, social climate and clean environment are themselves advantages that will attract people and industries to the island.

There is some evidence that these efforts are already bearing fruit. Last year, 204 companies from outside Hokkaido set up operations on the island, the second largest inflow rate among the country's 47 prefectures. This year's inflow promises to be higher, officials say.

Another potential source of growth is the military. Hokkaido is strategically located at the southern end of the Sea of Okhotsk. It is assumed that a Soviet invasion, if it occurred, *would come through Sakhalin* island to the north-west. Also, in the event of tension, the Japanese self-defence forces would attempt to block the access of Soviet ships to the open Pacific at the Tsugaru Straits between Hokkaido and Honshu and at the Nemuro Straits between Hokkaido and the Kuriles.

Thus, Hokkaido is where a large portion of Japan's self-defence forces is stationed, and their contribution to the island economy is already significant. However, as Mr Haruo Hayakawa, director and secretary general of the Federation of Hokkaido Chambers of Commerce and Industry points out, there are no military equipment industries on the island and not even any machinery repair facilities.

*As in most developed coun*tries, the attitudes of Hokkaido's people to the idea of accelerated development vary considerably. There is enthusiasm in the business community but strong opposition in some segments of the public. For example, last year Hokkaido's first nuclear power plant opened and a second unit on *the same site is due to start* next year. The business community wants nuclear power because it will enable the local utilities to reduce the gap, now about 10 per cent, between Hokkaido electric power rates and those in Honshu.

But, as in other parts of Japan, an anti-nuclear movement in gathering strength. It *is felt most strongly over* Tokyo's Y200bn (£881m) plan to build a nuclear fuel reprocessing plant at Horonobe on the *northern tip of the island.* Even the prefectural government is opposed to that project.

Hokkaido people are mostly the descendents of colonists who began to enter the island *in 1869 from all over Japan.* (One pleasant legacy of this mix of people is that Hokkaido people speak Japanese extremely clearly. Presumably, they had to abandon their own dialects and they did not develop a new one.)

At that time, the Japanese government, fearing the expansionist tendencies of Russia, decided on a policy of populating the island. Japanese contact with the island goes back as far as the seventh century, *and the Tokugawa shoguns set* up outposts on the south-western peninsula from the beginning of the 17th century. However, *official interest in the* island fluctuated over the next 200 years, depending on fears of the Russians and relations with native Ainu people.

These main themes in the island's history are still present. A *territorial dispute over* four islands in the southern Kurile chain occupied by the Soviet Union in the closing *days of the Second World War* continues to plague relations between Japan and the USSR. Most of the refugees from the islands, known in Japan as the Northern Territories, came to Hokkaido, and the matter is an everyday concern of the prefectural government.

So too is the status and role of the Ainu in Hokkaido and in *Japan. The Japanese Govern*ment does not recognise the Ainu, who may number from 25,000 to 50,000, as a minority people, saying that they are integrated with other Japanese. But Ainu leaders are becoming more aggressive in pursuing what they see as their legitimate rights, and are seeking support from interna*tional institutions.*

CONTENTS

Editorial production: Khozem Merchant
Pictures: Glyn Genin

David Lascelles on an island economy languishing behind the rest of the country

In danger of being left behind

HOKKAIDO'S wooded mountains and green meadows are a sure sign of where its riches lie: in natural resources and wide open spaces. All are in desperately short supply in crowded, modern day Japan.

But even though this splendid natural endowment has earned Hokkaido the reputation as Japan's lung, its rice bowl, its dairy and even its stud farm, the people of the island have mixed feelings about it.

Over the past 10 years they have seen the rest of the country enjoy one of the most amazing booms seen anywhere in the post-Second World War world – while their growth has languished, and their industries have become steadily more outdated.

On average, Hokkaido has grown at about half the rate of the country as a whole during the 1980s. It also has one of the more antiquated economic structures in Japan, marked particularly by its traditional orientation towards agriculture and primary industries.

This means it has a low manufacturing capacity, minimal foreign trade, and a heavy dependence on public sector investment – a relic of the old days when the island was considered "pioneer territory" – and all distinctly anachronistic to anyone accustomed to the industrial powerhouses of Honshu.

What added to the problem was that much of the industry which did exist in Hokkaido was highly vulnerable to the winds of change. The scaling down or total elimination of traditional activities like the railways, shipbuilding, steel and coal mining (which once accounted for 80 per cent of Japan's coal output) have also left large gaps in economic life.

Even fishing, once a mainstay, has been hit by the establishment of 200 mile zones along the Pacific rim. Though it occupies 22 per cent of Japan's land mass, Hokkaido accounts for only 5 per cent of the population and less than 4 per cent of its gross national product, and it feels its standing is slipping.

All this is relative, of course. Many industrialised countries would be more than happy to have achieved Hokkaido's growth rates and to boast bustling, modern cities like Sapporo with its office blocks and efficient subway system.

But the message that comes across loud and clear in Hokkaido these days is that it is in danger of being left behind. It must modernise its economic structure – and it must do it itself because the days of central government hand-outs are over.

"We're determined to cease being a docile market," says Mr Tetsuo Shimokawa, general manager of the research department of the Hokkaido Bank, one of the island's leading financial institutions.

The plan for Hokkaido's economic future, which has emerged as a kind of consensus between government and the local commercial community, is designed partly to make much better use of the island's natural riches, but partly also to seize a share of Japan's newest industries.

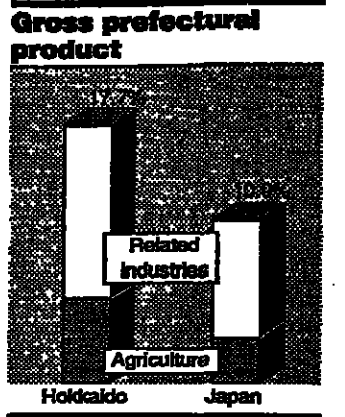
One legacy of heavy public investment is a well-developed infrastructure: the roads and railways are good, and the completion of the Seikan undersea railway tunnel last year has created an umbilical cord with Honshu (though its effects are only gradually making themselves felt).

The island's main airport at Chitose is new and capable of expansion, possibly with an international cargo centre. All this means the island can cope with a considerable amount of industrial growth, particularly since neither land nor labour are in as short supply as they are further south.

Tourism is a natural focal point, and a large amount of investment is already going into the island's national parks and skiing resorts. About 3m tourists visit Hokkaido each year, the aim is to get that number up to 5m within five years.

Food processing is another. At the moment Hokkaido adds comparatively little value to the output of its farms and mills, leaving plenty of scope for expansion, particularly now that production can more readily be distributed to the rest of the country through the Seikan tunnel.

Gross prefectural product



But some of the most exciting prospects lie in the area of new technology. Hokkaido is keen to attract the information-related industries, and has already had some success through initiatives like the Techno Park on the outskirts of Sapporo where a number of high-tech companies, large and small, are now located.

A total of some 250 software companies with annual sales of the equivalent of $1bn now operate in Hokkaido, and their growth rate is in the order of 20 per cent a year – so the island does already have a stake in new industries. The Ministry of International Trade and Industry has forecast that the value of information-related industries in Hokkaido will increase eightfold between 1987 and 2000.

Biotechnology is another area targetted for growth. The prefecture government was particularly gratified when Novo, a leading Danish manufacturer of enzymes, chose to locate its Japanese plant in Hokkaido in 1983. Plans in this sector also include the Hokkaido Industrial and Medical Complex (Himex), a grandiose project which will engage in research, education and treatment of organ transplants.

Some plans even have a rather futuristc air about them: for example, a magnetic levitation train system which local economists believe could be operating by 2000. Hokkaido also wants to become Japan's centre for the aerospace industry, and is studying ways of locating a space launch facility on the island.

A little closer to fruition is a micro-gravity research centre based on a disused coal mine where scientists can test zero-weight conditions by dropping substances down a 750 metre shaft in special containers.

If all this comes about, Hokkaido could indeed become a place for the 21st century. But the fact is that so far relatively few outside industries have chosen to locate there, the problems being partly communications, partly climate; most Japanese think of Hokkaido as a distinctly inhospitable place, and with the notable exception of Novo, foreign companies have been standoffish.

The cost savings for industries locating there are also not that great: wages are close to the national average, and some costs like communications and heating are higher.

But Mr Kazuo Nojima, general manager of the research department of the Hokkaido Takushoku Bank, argues that mounting pressures on land and labour elsewhere in Japan will steadily increase Hokkaido's attractions to business.

"We may suffer stagnation at the moment, but in five to 10 years the future will look bright," he says. He points out that land, for example, costs one tenth what it does in Tokyo. As for the quality of life, the average new house is 100 square meters, nearly double the Tokyo figure.

He believes Hokkaido should aim to get its growth back to the national average, say 4 per cent a year.

Graduate success

TWELVE years ago, Mr Hiroyuki Hattori and three graduate school colleagues from Sapporo decided to set up their own computer software company. Today, the four of them are still in their early 30s and their company, called BUG, is typical of the small enterprises that Hokkaido wants to encourage.

BUG has just moved into smart new headquarters in the Techno Park, a government-sponsored industrial zone on the outskirts of Sapporo surrounded by woodlands and fields. At the centre of the BUG building stands a piece of rock, water welling up from a deep round hole in the middle – a sculpture by Isamu Noguchi, the famed Japanese-American sculptor, which lends the place a cool and calming tone.

BUG employs about 70 people and is owned by its founders, its employees and by MITI which provided some of the start-up finance. It has an office in West Germany and has now begun to specialise in software and systems for printing production.

Mr Hattori believes that BUG's success in the more out-of-the-way environment of Hokkaido is indicative of some of the changes that are coming about in workers' expectations, as the stresses of life in Japan's industrial heartland become too great.

"Young people's hopes have changed," he says. "They are not just after money now. Sapporo is one place where they can pursue new values."

DL

Picture Page 8

FINANCE

Beyond frontier banking

As in most large Japanese cities, just about every building in the centre of Sapporo seems to be a bank. All the familiar names are there: Mitsubishi, Sanwa, Fuji, Sumitomo. But the sign that stands out above all the others is a white fir tree against a blue background.

This is the Hokkaido Takushoku Ginko, the only one of Japan's 13 city banks which is based in Hokkaido. Its name is such a mouthful even for Japanese that it calls itself Takugin for short.

The bank's name means "development of a frontier region", a pointer to its early history. It was established by the government in 1900 to finance Hokkaido's young economy, which it did for half a century. But after the last war it was converted into a regular commercial bank, at which point it began to expand down into Honshu and, eventually, abroad.

Today, Takugin has assets of just over Y10.6 trillion (million million) which makes it one of the smallest of the city banks. Although a good part of its business is still rooted in the island's economy, more than half its revenues now come from elsewhere, and that proportion is still growing. For example, one third of its 200 branches are outside Hokkaido.

The bank also has a budding international business which includes 25 foreign offices in 14 countries located mainly in south-east Asia, Europe and the US.

However, one of the bank's main aims continues to be to finance the local economy, according to Mr Hiroshi Yamauchi, the president. These days, that has less to do with development than with facilitating the restructuring of Hokkaido into a modern region with an up-to-date economy. This considerably more complex task involves the provision of advice and research as well as finance, and promoting Hokkaido's attractions to the outside world.

Like many Hokkaidans, Mr Yamauchi believes that the island's attractions to outsiders will grow as the pressures mount on land and people in the rest of Japan. "There's too much concentration of business in Tokyo," he says. "There is a need for a better balance."

Takugin's main local rival is the Hokkaido Bank, whose headquarters are just across the Odori park which runs through the centre of the city of Sapporo.

Although a good part of Takugin bank's business is still rooted in the island's economy, more than half its revenues now come from elsewhere, and that proportion is still growing

This bank was founded in Sapporo only 38 years ago, and now has assets of just over Y3 trillion. Like Takugin, the Hokkaido Bank has taken steps into Honshu and abroad, but it also likes to stress its commitment to the local community.

"We are deeply rooted in the region, and are determined to live side by side with the local economy," says Mr Tetsuo Shimokawa, general manager of the research department. The Hokkaido Bank has 140 offices in Japan, with a further two abroad, in New York and London, and the plan is to keep adding to the international network.

To complement its financial activities in Hokkaido, the bank has established a special fund to improve training of staff in high technology industries, such as biotechnology which it sees playing an increasingly important role in the island's industry.

The bank is particularly keen to see small and medium sized business set up in Hokkaido because it believes these will have a more dynamic impact on the economy in the long run than the subsidiaries of large companies from elsewhere which tend to be rather remote.

Together, the Takugin and the Hokkaido Bank dominate the banking scene, though the presence of the other big city banks ensures that the full weight of Japan's formidable banking industry can be brought to bear. But there are other indigenous financial institutions as well, among them the North Pacific Bank and the Sapporo Bank, both mutual institutions which recently converted to banking status. The island also has 33 credit unions, but there are no branches of foreign banks.

The work of the commercial banks is complemented by official financial institutions such as the Hokkaido-Tohoku Development Corporation, and the Japan Development Bank which provide finance for large infrastructural projects. Official loan subsidies and tax breaks are available for new industries.

Given the consolidation that has occurred among banks in other Japanese regions, the question arises whether the Takugin will seek a partner elsewhere in Japan to try and establish a bigger national presence. But Mr Yamauchi, the president, is against the idea. "We hope to continue as an independent bank," he says.

David Lascelles

INDUSTRIAL DEVELOPMENT

Prospects for growth pinned on tourism

INDUSTRIAL development is the main concern of both public and private sector authorities in Hokkaido. The island has been almost unique among regions of Japan in suffering all the disadvantages of the yen's revaluation four years ago – mainly rationalisation of mature industries – and none of the advantages.

Unemployment has risen and out-migration has become a serious concern. Consequently, all hands have been turned to the task of developing ideas for rejuvenating the economic base.

There are essentially three main strategies in the island's industrial development policy:

■ Taking advantage of Hokkaido's natural attractions to develop leisure industries.

■ Improving the competitiveness of Hokkaido's existing industries.

■ Attracting new manufacturing companies to Hokkaido.

The island's latest 10-year development plan, which began last year, features 15 so-called strategic projects, which are all designed to support progress in these three areas.

Thanks to a combination of physical factors, tourism probably offers the greatest potential for contributing to economic growth. Hokkaido is big, uncrowded, has a varied topography and has hot summers and cold, snowy winters. While that may seem an unexceptional combination to Americans or Europeans, it is highly unusual in east Asia. As Mr Noboru Miyashita, director of tourism development for the Hokkaido government points out, Hokkaido has no rainy season. Other parts of Japan have to put up with constant rains from early June until late July. Also, there are no cockroaches in Hokkaido.

Gross production and employment structure 1986*

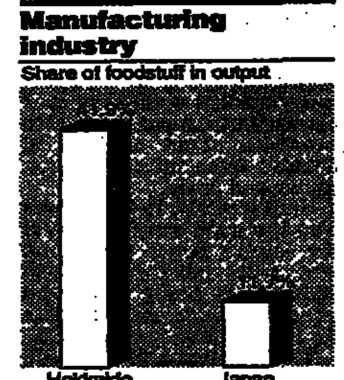
	Gross production	Employment
PRIMARY	7.0	12.3
Agriculture	4.6	8.9
Forestry	0.5	0.9
Marine	1.8	2.5
SECONDARY	24.0	24.5
Mining	0.8	0.8
Construction	11.8	12.2
Manufacturing	11.3	11.4
TERTIARY	71.9	63.1
Wholesale and retail	15.9	18.5
Finance, insurance	4.0	3.2
Real estate	9.7	0.8
Transport, telecommunications	7.5	6.9
Utilities	3.3	0.7
Service industry	15.4	19.1
Government services	13.9	11.4
Private non-profit services to households	2.1	2.5

* percentage

Government statistics

Manufacturing industry

Share of foodstuff in output



Already, tourism is estimated to account for about a tenth of Hokkaido's gross income. Last year, some 31m tourists visited the island, 9.8 per cent more than in 1987. The vast majority of them were Japanese. The total of foreign tourists was only 167,000, with almost half of them coming from the US. So the potential for development is still considerable.

The most popular season for tourism is summer, when 57 per cent of visitors come and enjoy camping and other outdoor activities which are much more accessible in Hokkaido than in other parts of Japan. The second best season is winter, accounting for 20 per cent of visitors. Hokkaido, which hosted the 1972 Winter Olympics, has the best skiing conditions in east Asia and the number of resorts is growing.

With this sort of balance, there is not much the authorities have to do to promote tourism, except to provide a good transportation infrastructure and make it possible for developers to get on with it. Thus, among the 15 strategic projects are several infrastructure development plans – the expansion of Chitose airport, the construction of a linear motor car line and the development of a commuter air service network.

Among the island's existing industries, the government is focusing most of its effort on trying to build up the agricultural and food processing sectors. Farmers are being encouraged to become more productive and diversify their output and to join Hokkaido universities and research institutes in developing new methods.

One of the 15 strategic projects calls for the establishment of a regional agriculture-related industrial complex. Similarly, food processors are being urged to invest in the new biotechnologies in Hokkaido.

In order to attract companies from outside Hokkaido, the government has created four main industrial zones.

■ Tomakomai East industrial zone is situated on the sea south of Chitose airport and is designed for heavy industries. Its main tenants so far are an Isuzu engine and vehicle assembly plant and a large oil storage terminal.

■ Tomakomai West emphasises lighter industry and already has 90 companies on its 1,255 hectare site.

■ The Ishikari Bay zone, located to the north of Sapporo on the Japan Sea coast, has attracted more than 440 companies in the distribution and manufacturing sectors, including the Danish NOVO Industries, which began making enzymes there in 1986.

■ The Chitose Rinku Industrial Site, which is adjacent to the airport, is designed for light industry, and is filling up rapidly. Among the main users are a Hitachi semiconductor plant, a Nippon Red Cross plasma fractionation centre and a distribution centre for the Swiss pharmaceutical group, Ciba Geigy.

Subsidies are available for inward investment from all three levels of government. The Ministry of International Trade and Industry provides regional development grants while the Hokkaido government offers capital grants up to Y1.2bn as well as low interest loans up to Y500m and some tax exemptions. Local governments have their own incentive plans.

Ian Rodger

Cuts in state aid will hit farmers hard, writes David Lascelles

Tokyo squeezes subsidies

THE sight of cows grazing in green pastures is not a common one in Japan. But it is in Hokkaido, the country's largest and most productive farming region. Altogether, the island accounts for about 10 per cent of Japan's agricultural production, a fact which has a big influence on the local economy.

The importance of farming stems from two factors: the island's relatively open terrain, and its climate, which is the same as the US Mid-West. In fact, the Hokkaido farming industry owes much to the early efforts of US agricultural officials who were invited over more than 100 years ago to advise on the development of what was then still Japan's "colony".

Furthermore, Hokkaido agriculture is still growing, not just in terms of output but also of land use. The cultivated acreage increased by over 8 per cent over the past 10 years, a rather unusual trend in an industrialised country, but one which highlights the scope for development which still exists on the island.

In fact Hokkaido is the only part of Japan in which agriculture may be said to exist on a widespread industrial footing. The average sized farm is 11.5 hectares, more than 10 times the national average, making modern industrial methods more practicable. There has also been an officially inspired campaign called "one village one product" which is intended to streamline output of selected crops and animals in particular communities. Officials say it has been a success.

Farm households account for about 7 per cent of the island's population, and though there has been a drift away from the land, the number of full-time

Local officials say they have been seeking a stay on subsidy cuts, arguing the importance of farming to the local economy

farmers is still relatively high compared with the rest of the country.

Crops represent 58 per cent of the output. That includes Japan's entire production of sugar beet, most of its beans and more than half its wheat. Hokkaido produces only 7 per cent of Japan's largest staple, rice, but that is due to a deliberate abatement policy under which more than a half of the island's paddy fields have been turned over to wheat and other crops since 1970.

In fact Hokkaido has benefitted considerably from – and has also had a marked influence on – the changing eating habits of the Japanese. The emergence of meat, vegetables and dairy products as important parts of the Japanese diet have all been met through increased production in Hokkaido. Potatoes, pumpkins, sweet corn, asparagus, radishes, onions and carrots are well suited to the island's

Ex-coalminer Yasushi Takayama used his redundancy cash to set up a farming venture in Yubari

cooler climate.

Livestock production has also been expanded to meet growing demand for beef, milk, butter and cheese. The beef industry is now the largest in Japan with total carcass production reaching 64,000 tonnes last year.

Japan's largest dairy products company, Snow Brand, was created out of a Hokkaido dairy farmers co-operative in 1925. Although the company has now expanded well beyond the island's confines and has moved its operational headquarters to Tokyo, it still has substantial processing facilities in Hokkaido.

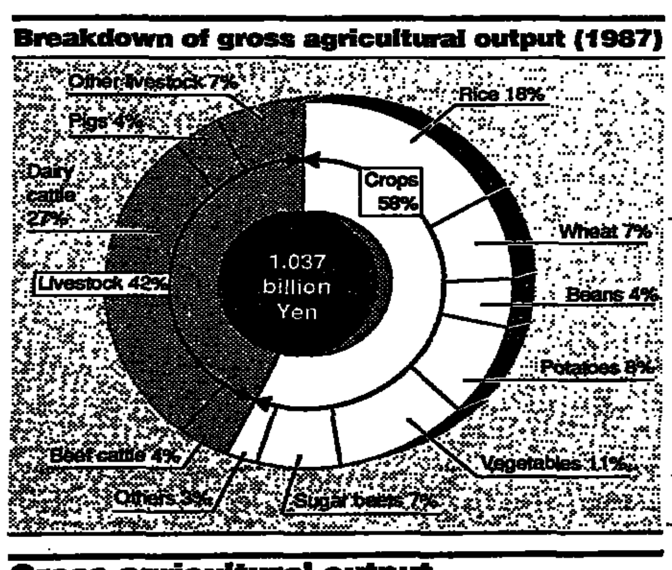
Its Sapporo plant, sporting the company's well-known snowflake emblem, produces much of the country's fresh milk, butter, cheeses and ice cream. Japan is now the second largest ice cream producer in the world after the US. Managers there say that there has been a marked increase in demand in the past 10 years for processed dairy products.

Altogether, the food processing industry accounts for about 40 per cent of Hokkaido's output of manufactured goods, and the intention under the island's economic development plan is to expand this activity by concentrating on adding further value locally. The completion of the Seikan rail tunnel should aid the distribution of goods from the island to points further south.

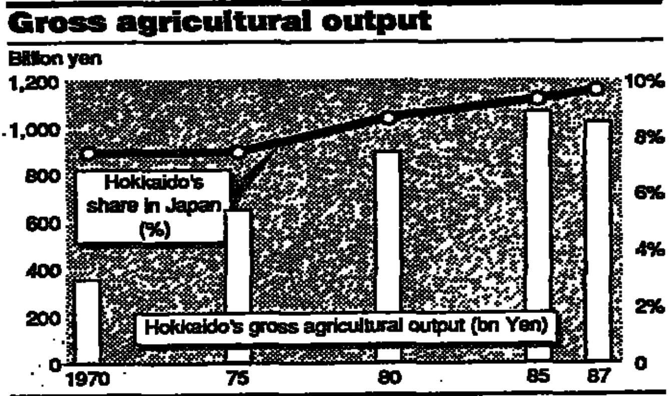
The land area devoted to agriculture will also continue to grow, but output of crops and dairy products is expected to rise somewhat faster through the use of intensified methods. The total value of agricultural output is due to rise by about 50 per cent between 1985 and 1997.

Greater efficiency will be needed not merely to achieve improvements in farmers' living standards but also to meet the more stringent economic environment. The Tokyo government is steadily reducing farming subsidies, which is bringing down the prices farmers obtain for their products. The subsidies have also been adjusted to take account not just of the quantity of output, but its quality as well.

Breakdown of gross agricultural output (1987)



Gross agricultural output

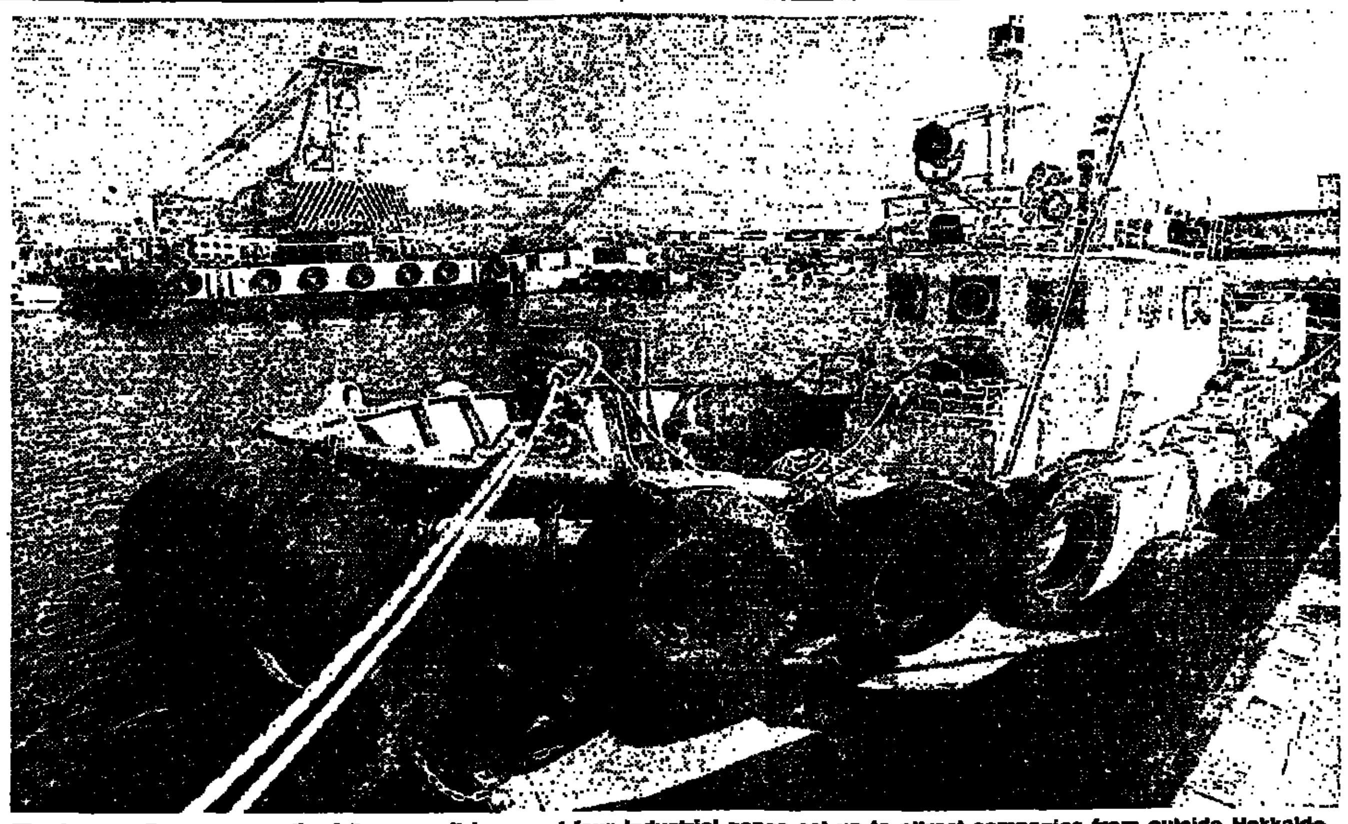


The importance of farming stems from the island's relatively open terrain, and its climate, which is the same as the US Mid-West

Hokkaido government officials say they have been seeking a stay on subsidy cuts, arguing the importance of farming to the local economy. But though prices were held for the main crops except wheat this year, they are not hopeful of lasting relief.

There are also production limitations on important items like rice, milk, beans, sugar beet and potatoes. Farmers are particularly annoyed about milk limits because they see that imports of dairy products are growing. Last year, these were roughly equivalent to the volume of milk produced on the island, according to the Hokkaido government.

Further out, fresh pressures will come from the liberalisation of trade in agricultural goods. Beef imports, for example, are to be freed from 1991. Altogether, this suggests that Hokkaido's farmers will have their work cut out in the years ahead.



The Ishikari Bay zone, north of Sapporo. It is one of four industrial zones set up to attract companies from outside Hokkaido

FISHING INDUSTRY

The high price of complacency

HOKKAIDO'S fisheries remain the most productive in the country, accounting for around 26 per cent of Japan's total catch and approximately 23 per cent of its processed seafood products.

Yet it could be said that the very richness of Hokkaido's waters have contributed to the serious problems currently faced by the regional industry; with fish so readily available, both in local waters and in the North Pacific fishing grounds close by, little attention has ever been paid to the development of a co-ordinated fisheries infrastructure, or to the monitoring of fish stocks.

As local trawler industry leader, Mr Yuichi Maeda, puts it: "That's why fishing is so attractive: unlike in agriculture, you can simply go out and the product is there waiting for you to gather."

The price being paid for this past complacency is an unpreparedness as international and market trends necessitate a re-shaping of the industry. The hardest blow has come in the form of the 200 km fishing limits imposed in recent years around the coasts of the United States and the Soviet Union.

This has particularly affected hauls of 'high-quality' fish, including salmon. Deep-sea fleets have in some cases halted operations entirely, and their crews switched to inshore fishing; others have moved their operations even further afield.

The latter strategy, combined with an absence of adequate controls, has helped create the current furore over Japanese fishing operations in the South Pacific, where the indiscriminate use of drift-nets – which can stretch for up to 70 km and hang 15 meters deep – are alleged by New Zealand and other Pacific island countries to be threatening the very existence of several of the region's marine species.

(The Japan Fisheries Association's chief director, Mr Kunio Kimura, responded to this charge at a Tokyo press conference, in October, by claiming that there was no evidence to support the criticisms of this fishing method, adding that prohibition of a "certain technique without scientific evidence could become a dangerous precedent.")

Another structural problem besetting Hokkaido is the vagaries of consumer markets for fish products. Blame for this situation is invariably first levelled at imports, which have allegedly been the chief culprit in upsetting the supply and demand balance. Yet changing consumer preferences have also played a significant role.

It could be argued that the very richness of Hokkaido's waters have contributed to the serious problems currently faced by the regional industry

Mr *Yoshinori Iwasaki*, manager of the Hokkaido prefectural government's fisheries administration department, says: "Most Hokkaido fishing boats target mass-caught fish species, and these are not regarded *by the public as a* high-class product. Japanese consumers these days want semi-processed fish with a smart image; they don't want anything smelly and inconvenient to prepare."

It might be expected that the fish processing businesses would be flourishing in line with this trend, but the sector is equally hard-pressed by the vagaries of the market and the fish with which it is being supplied.

Mr Shosaku Mukainakano, of the Hokkaido Federation of Fish-Processing Co-operatives, complains that "we lack a national policy; since there are no regulations enforcing the type of fish to be caught, the fishermen just catch large quantities of whatever is convenient for them and have no *interest in conserving stocks.*"

Imports are widely blamed for excess fish volumes – which in turn have produced the more fickle consumer – and all sectors of the fishing industry are now lobbying the government for import reductions.

A common related complaint is that imports are of poorer quality than locally produced goods and are harming the industry's image as a result. Mr Yuichi Maeda, for example, asserts that "the Japanese standard for fish freshness is much stricter than in other countries." Mr Mukainakano adds that "the Japanese consumer is not keen on processed-fish goods from abroad."

The Hokkaido government's main strategies to cope with the industry's problems are the development of inshore fishing, improved fishery management, and the merging of small-sized fishing co-operatives to enhance the industry's financial infrastructure.

At present, 22,000 of Hokkaido's 24,000 fishing-related businesses *consist of individual* fishermen, and as a result it is difficult to accumulate the investment capital required for development projects.

Spokesman Mr Yoshinori Iwasaki stresses the importance of the effective monitoring of available fish resources, noting that "although we estimate that stocks are declining around Hokkaido there is no data available."

These development priorities were reflected in the Hokkaido government's fisheries department budget for 1989. Of the total Y75.17bn (which represents 3.5 per cent of the prefecture's expenditures), Y50.4b was allocated for the improvement of basic production facilities, including fishing grounds.

At the local level, the port of Oshima has shown itself to be *the most progressive in terms* of fishery improvement; by 1988 it had developed 24 fish banks and seven fish farms. But the general picture is far less innovative.

The need to overcome resistance to change is arguably most urgent in terms of another trend, one which haunts all aspects of Hokkaido's future; de-population.

The children of rural fishing households are increasingly

Imports are blamed for excess volumes and Hokkaido's fishing industry is now lobbying the government for quick and firm action

opting for an easier life in the big cities – to which many go to attend universities – and frequently fathers are no longer insisting on their son's return to the family business, *believing that the industry's* future is not bright.

Unless a comprehensive fisheries management strategy, which attracts the participation of all sectors of the industry, is implemented urgently, it seems likely that the present vicious circle of decline will soon become irreversible.

Roy Garner

Ian Rodger on raising sheep

Suffolks by the sea

THE word from Shibetsu, a small town in northern Hokkaido, is that Ben and Kate are fine and working as hard as ever.

For those unfamiliar with the story up to now, Ben and Kate are sheepdogs who were sent from Ballymena in Northern Ireland to Tokyo four years ago to participate in a British fair at the Isetan department store.

When the fair was over, there was no question of taking the dogs home because of the six month quarantine which faces all animals entering the UK, so they were given by the British Wool Marketing Board in Japan, which had sponsored their appearance, to sheep raisers in Shibetsu. Still, concern about the dogs' fate was considerable in Ballymena and Shibetsu leaders on one occasion actually sent photographs to convince people that the pair were well.

According to Mr Hitoshi Maeda, one of the backers of the Suffolk development in Shibetsu, Ben and Kate have even had puppies, although he admits with embarrassment that the puppies have not been trained and are merely pets.

Ben and Kate are, of course, only a minor part of the unusual story of the recent development of a Suffolk sheep raising industry in northern Hokkaido.

The story should probably begin shortly after the Second World War when sheep raising and eating were first introduced on the island. There is, surprisingly, no tradition of sheep raising or eating in Japan. Historically, fish and rice were the staples and whatever land in this mountainous country was remotely suitable for agriculture was used for growing rice.

Hokkaido, with its wide open spaces and lack of tradition, was more suited for other types of agriculture and has developed large cattle, dairy and vegetable sectors along western lines. Sheep grazing came after the war when the country was poor and looking for any way to improve food and clothing supplies.

As with other imported foods, the Japanese developed their own peculiar way of cooking and presenting sheep meat, a form which was given the unlikely name of Ghengis Khan.

The name came from the helmet shaped brazier in which cubes of pressed mutton were grilled, but it was probably chosen also because it evoked nostalgic images of Mongolia with which many Hokkaidans have pre-historic racial links.

The Ghengis Khan is eaten like other Japanese and Korean grilled meat dishes, with the brazier being placed in the centre of the dining table. The mutton is grilled at the dome of the brazier, allowing the juice to flow down to the gutters to cook various vegetables. Garlic comes in abundance.

Unfortunately, the Ghengis Khan and sheep meat generally caught on only in Hokkaido, so the industry's development never progressed very far. Moreover, by the mid-1960s, Japanese people began to feel more prosperous and since sheep meat had a cheap image, the industry went into decline.

Another negative influence was the increasing use of chemical fertilisers in agriculture, making sheep manure redundant. Also, wool markets were being hit by imports of knitwear from Korea and other neighbouring countries.

At the peak in the early 1960s, the sheep population in Hokkaido was more than 270,000, but it has since tumbled to only 17,000. The industry would probably have been condemned to virtual elimination if it had not been for the emergence of serious problems in Hokkaido's main agricultural crop – rice – in the mid-1970s.

Because of generous government price supports, rice production moved into chronic surplus at that time and the government ultimately had to force farmers to reduce the acreage they planted. For farmers totally dependent on rice, this abatement, now about 20 per cent, has seriously damaged their incomes and many have abandoned agriculture for other activities.

In Shibetsu, for example, nearly 9,000 hectares of paddy field had to be abandoned or converted to other uses. The population of the town slumped, falling from a post-war peak in 1961 of 42,000 to 27,000 in the late 1970s.

Shibetsu leaders decided to try and do something to revitalise the town and stop the population haemorrhage and, after a couple of years of study, the decision was made to promote the development of Suffolk sheep.

Suffolks had already been introduced in the area in the mid-1970s and Shibetsu leaders thought this breed, with its subtle meat, could be used to improve the image of sheep meat in Hokkaido and to introduce it as a gourmet item elsewhere in Japan.

Moreover, a fashion knitwear industry could be developed and there was a possibility of a resurgent market for manure because of the increasing popularity of organically grown food. Many people were sceptical, not least because the local output would have to compete with imported lamb and mutton from New Zealand which comes into the Japanese market at about half the price Shibetsu would have to charge. Because of Hokkaido's snowy winters, the sheep have to be fed for several months, making production costs significantly higher than in New Zealand.

However, the Suffolk movement, as it has since become known, got under way and, although it is not yet on a fully commercial basis, it is progressing.

According to Mr Maeda, who is also managing director of a fashion knitwear company in the town, the total flock in both a city-run operation and 30 private farms has grown from 200 to 1,000.

At the moment, the meat is sold only in the town and at fairs. He estimates that the flock must reach 5,000 before the town can ensure national customers of steady supplies of meat. As the industry nears that point, it hopes to launch an image promotion campaign.

In addition, there are about 130 women employed in the traditional *naishoku* (in-home) way, weaving and knitting. Knitwear sales have grown from Y48m in 1985 to Y70m last year.

An unexpected market has emerged as a result of people wanting lambs for pets. The Japanese love cute things, and the Suffolk lambs, with their black heads and huge ears, are irresistible. The Japanese call them panda sheep. Male lambs fetch up to Y40,000 while females sell for Y60,000. But then, if they sell too many lambs, the flock will not grow as quickly as it could.

Yubari's dependency on mining has been cruelly exposed, writes Ian Rodger

Rising yen puts paid to coal sector

On the reception counter of Yubari city hall sits a display board noting the town's population, some 11,800 women, 12,700 men, making a total of 24,500.

Population is a sensitive issue in Yubari. In 1960, it stood at 117,000 and it has been sliding with sickening regularity ever since to its current level. Town officials hope that it has at last bottomed, and will soon start to rise again.

Yubari's problem is that it was a coal mining town, dependent almost entirely on coal for its prosperity. At its peak in the late 1950s, there were 24 operating mines in the town, producing 4m tonnes of coal a year and employing 20,000 people.

Today, there is one mine left employing 800 people and producing 600,000 tonnes a year. Under a government plan for the orderly rundown of Japan's coal industry, it must close by 1995 but Yubari town officials would not be surprised if it closed next year.

The decline of Japan's coal mining industry is a story very similar to that experienced in the UK, with the difference that the Japanese, typically, once having decided on a course of action, have been carrying it out resolutely and rapidly.

As in the UK, there were two main stages to the decline of the industry. The first came in the late 1960s when concern about pollution caused the country's electric power generating industry to shift from coal to oil and natural gas in its thermal power plants.

The second and final blow came in 1986 when the drastic revaluation of the yen against the US dollar left domestic coal totally uncompetitive with large offshore sources of supply, such as Australia and Canada.

Even before the yen revaluation, Japanese coal came at a significantly higher cost than that from other countries. But, in keeping with the country's lingering mercantilistic industrial policy, steelmakers and other large coal users agreed to pay a premium to keep the industry going and promote the overall national welfare.

With the revaluation, everything changed. For one thing, the government acknowledged that it had to abandon its selfish industrial policies and let certain industries disappear in favour of a more equitable international distribution of jobs. The coal industry was the first and biggest victim of that policy. Second, the steel industry, in the wake of the revaluation, was suddenly in a fight of its own to maintain its international competitiveness, and was no longer willing to subsidise the domestic coal industry. The result was that, over a period of months in late 1986 and early 1987, the interested parties agreed that the coal industry would have to be phased out.

Keizetsu Tsuzuki, who after 33 years as a miner lost his job and is now a coal museum guide

Most Japanese coal mining was done in Hokkaido, and Yubari was the biggest centre in Hokkaido. Yubari is also proving to be exceptional in its success in finding new sources of income, testifying to both a surprising level of entrepreneurship in the town and a generous supply of patience.

Yubari town officials first started inviting companies to come to the town and set up factories in 1965. The idea, then popular everywhere, was to attract manufacturing businesses but, as in so many other places, it was pretty much of a flop. Yubari has very little to offer a manufacturer. It is located in the mountains two hours away from Sapporo on indifferent roads. The labour force had no experience of manufacturing and the town has few support services for factories. To date, it has attracted 26 small operations and together they employ only 700 people.

Also in the mid-1960s, some enterprising farmers began cultivating melons in small plots in the valleys around the town. The fruit turned out to be of reasonable quality and the local agricultural co-operative soon began a national publicity campaign. Yubari melons are now well known throughout Japan and have become a commercially successful product. Today, the melon business keeps 213 people in Yubari gainfully employed and the value of the output is some Y3.7bn (£16.37m) per year.

By the late 1970s, the town leaders realised they were getting nowhere attracting manufacturing businesses so they decided to look into services – in particular, tourist attractions. In 1977, the town, together with a group of private investors, launched a Y16bn project to build an historical coal mining village on an abandoned mine site. The village opened in 1983 and was an instant success, now attracting some 600,000 visitors every summer.

In 1975, some local businessmen had developed a small ski resort on the outskirts of the village in the hope of attracting winter custom. It turned out to be not big enough to compete with the many big ski resorts in Hokkaido and struggled fitfully until 1986 when the town bought it with a view to expanding it.

Before the new plan could be completed, a fairy godmother arrived in the form of Matsushita Kosan, the leisure development subsidiary of the Matsushita consumer and industrial electronics group. Matsushita, in common with many other large groups in Japan, has recognised an opportunity in the increasing affluence of Japanese people, and has been aggressively diversifying into leisure businesses.

The company came to Yubari, liked what it saw, and proposed a giant Y25bn project centring on the expanded ski resort, including hotels, a 36 hole golf course, tennis courts, horse riding and other facilities. All in all, 700 new jobs will be created when the project is completed in the mid-1990s.

Matsushita's arrival has, of course, given Yubari a certain credibility and is already proving a magnet for other leisure interests. The giant Seibu group is planning another ski resort in the area – although its proposal is running into opposition from environmentalists – and other groups of investors are to build a Santa Claus village and a hotel complex around an ice skating rink.

In response to this rush of development, the public sector railway is planning to upgrade its service to Yubari, and construction has begun on a 44 km motorway connecting the town to Sapporo's Chitose airport.

Yubari people, like those in other remote parts of the country that have suddenly been blessed by the leisure boom, cannot believe their luck. Having watched helplessly as their children moved away from the town over the past 25 years, they now have the prospect of seeing their grandchildren grow up near them.

"When all these resorts open, we think the population will increase a bit," says Mr Yoshirau Mano, Yubari's industrial development director.

Interview: Governor Takahiro Yokomichi

A welcome wind of change

Q. Hokkaido's economy has been growing at only about half the average rate in Japan as a whole. What are the prospects for faster growth in the future?

A. Up to now our economy has been dependent on traditional industries, such as coal mining, steel and heavy engineering. The rationalisation of these industries has hurt, so we have to restructure our economy. So far, we have been supplying raw materials to the rest of Japan with little value added and have been reliant on public sector spending.

These are the characteristics of the economy of a developing country. I believe some northern parts of the UK have the same problem. Anyway, our first goal is to rely more on the private sector. Second, we want industries to add value in Hokkaido to as great an extent as possible. To achieve these goals, we should rely more on our comparative advantages.

Compared with other areas in Japan, we have advantages in some industries, such as agriculture, fishing, food processing and tourism.

During Japan's very high growth period in the 1960s, Hokkaido did not grow that quickly. But one result of that is that the island still has a good natural environment. Starting last year, our new 10-year development plan puts the emphasis on living in harmony with nature.

On which of the 15 strategic projects in the new development plan to you place the most importance?

Of course, the industrial development projects are the most important, but apart from them, the projects aimed at deepening Hokkaido's contacts with the world are very important, in my view. Hokkaido is slightly larger than Austria in terms of its economy and population, but our image in the world is very different.

Presently, both people and freight enter Japan mainly through Tokyo's Narita airport, but the country has rapidly become an enormous economic power and Narita alone cannot cope. Thus, Sapporo's new Chitose international airport project is our first priority. Indeed, later this month when I am in the UK, I will be asking British Airways to establish direct flights to Chitose and to use it as a cargo centre.

In terms of freight, since the opening of the Seikan tunnel (connecting Hokkaido to Honshu by rail), air freight originating in Tokyo moves faster and cheaper through Chitose than through Narita and its nearby Baraki distribution centre.

The airport is also important for the development of tourism. Many of the best resorts – including the new Club Mediterranée at Sahoro – can be reached within a couple of hours of Chitose. Then we hope to build a linear motor car line from Chitose to Sapporo which will make travel even more convenient.

Are you optimistic about getting the linear motor car project going now that the government has chosen Yamanashi prefecture for the next experimental project?

I am very optimistic about this. We are planning to get our project up and running within five or six years. It will be financed mainly by the private sector, but we also want some government capital.

Hokkaido's agricultural sector has been hit by the opening of the Japanese market in some products to international competition in the past two years. How much damage has been done and what can be done to revitalise the sector?

We have to make our produce cheaper, safer and more delicious. International trade frictions have been caused by Japan's exports of manufactured goods. We do not know why agriculture should be the victim of this. Japan already depends too much on imports for its food. Our self-sufficiency level is only a third that of Europe. So we are basically against the liberalisation of agricultural trade.

But at the same time, we would like to see our agriculture become more competitive. Our dairy industry already has the highest productivity in the world, and there are interesting technological developments taking place in other areas, such as in planting of sugar beets, and we are exporting this technology to Europe.

We have no intention of exporting agricultural products, but we are keenly aware of the need to improve productivity. We are improving soil by adding natural fertilisers and using biochemistry to make more cold resistant strains. In the past 30 years, we have caught up with 200 to 300 years of European experience and, in a few cases, have moved ahead.

Very few companies have their head offices in Hokkaido, even those with substantial interests or history here. What are the attractions of Hokkaido for the industrial investor?

We are making a big effort. Last year, 204 companies came to Hokkaido. It was the second largest rate of inflow among the country's 47 prefectures. We have 27 universities. They produce 5,000 graduates a year in engineering and the sciences. At the moment, 70 per cent of them go to Honshu, even though between 80 per cent and 90 per cent want to stay here. This is unfortunate, so we want to create opportunities for them.

Of course, we offer incentives to investors, but the main point is that Hokkaido is an open society. Unfortunately, we have not yet attracted many foreign investors.

Labour is in short supply elsewhere in Japan and land prices in Hokkaido are said to be only one tenth those in Tokyo. Are these significant attractions for people?

In some cases, land is even cheaper than that. But I would like to stress the importance of nature and a lifestyle that relates with nature. According to a national survey, it is the area where social differences between men and women are the smallest, where local people welcome newcomers and where people are most relaxed.

However, many people have the impression that Hokkaido has a very cold climate.

In terms of latitude, Sapporo is south of Paris. The idea that we are a northern territory is a purely Japanese prejudice. We are in the mainstream of civilisation, although we do receive cold Siberian winds from the north. But even they are getting warmer these days because of perestroika.

Ian Rodger

PROFILE

Island reformer

Mr Takahiro Yokomichi was born in 1941 and raised in Sapporo, the oldest son in a politically active family. His father was a member of the national Diet (parliament) for the Japan Socialist Party (JSP) and Mr Yokomichi succeeded him in 1969.

Like most of Japan's political and bureaucratic elite, Mr Yokomichi studied at the University of Tokyo school of law, but he also took the more unusual and difficult step of proceeding to the bar in 1965.

During his 13 years in the Diet, he was active in trying to reform the JSP, although without much success. In 1983, he resigned from the Diet to run successfully for governor of Hokkaido, and easily won re-election in 1987.

Takahiro Yokomichi

He is the youngest of Japan's 47 prefectural governors and is known for his tireless efforts to promote the island's rejuvenation. He has downplayed his JSP connections, building a wide personal following in business circles while in office. Many assume that he still has national political ambitions.

Mr Yokomichi's wife is also a graduate of the University of Tokyo and they have two sons and one daughter. In his spare time, the governor fishes, skis and plays golf.

AINU PEOPLE

Minority people face uphill task to secure recognition

WHEN MS Kyoko Sugimura, a prominent member of Japan's Ainu minority, recently took the stage in the Hokkaido town of Asahikawa to receive an award for outstanding cultural achievement – she has a unique expertise in Ainu handicrafts – the casual observer could have been forgiven for concluding that the Japanese take pride in the survivors of the Ainu race, the indigenous people of Japan's northern islands.

But the conversation at an ensuing family gathering soon revealed a different reality, and the bitter-sweet nature of the day's ceremony. The award certainly represented welcome support from the local Hokkaido community, but also served to remind the small band of Ainu who had assembled of the deep frustration, and discrimination that characterises their uneasy accommodation within Japanese society.

'Up to now the Ainu have acted as if they were asking a favour of the government, but now they are demanding their rights'

As one member put it, "the government's policy has always been that they won't let the Ainu die; but they won't let them live either." Another speaker referred angrily to the fact that no mention is made of the Ainu's existence in Japanese school history books.

The Ainu are a minority aboriginal people whose racial and linguistic origins are unclear. A survey by the Hokkaido prefectural government in 1986 estimated that 24,381 Ainu, in 7,168 households, live in Hokkaido, though no national survey of the Ainu has been carried out since the Second World War.

The Hokkaido Utari Association, the principal Ainu rights group, estimates between 50,000 and 60,000 Ainu live in Japan, while about half that number fail to declare their Ainu background for fear of discrimination, notably in marriage and employment.

The Hokkaido government survey found that the level of high school attendance among the Ainu was 78.4 per cent, or 15.8 points below the national average; for college the disparity was even greater at 8.1 per cent against a 30 per cent average. The number of Ainu on welfare stood at over six times the Japanese norm.

Mr Giichi Nomura, executive director of the Ainu Association of Hokkaido, points out that these inequalities persist despite various joint measures taken by the central and Hokkaido municipal governments since 1974, aimed at improving the Ainu's living standards.

"Even after 15 years of effort there is still a big difference between the two communities. The government's attitude is the same as for welfare; bit by bit, step by step. But even if they do this for 50 years we won't catch up. The Ainu problem requires very drastic, special measures."

Government policy has indeed always been at the heart of the 'Ainu problem'. When the Meiji government began its policy of incorporating Hokkaido into national territory, it resolved to 'assimilate' the native Ainu – who lived by catching salmon and trout and hunting deer – by turning them into farmers, and forcing them to abandon their ethnic language and culture.

The eventual effect of the Act for the Protection of the Former Primitive Inhabitants in Hokkaido, passed in 1899, was not only to leave many Ainu dispossessed.

It also led many Ainus to try and conceal their background, often through inter-marriage. In particular, the loss of their traditional lands hastened the demise of much of the Ainu's rich cultural heritage.

Even today, the leaders of Japan's surviving Ainu say it is central government policy – under which the Ainu are not recognised as a minority people – that is preventing improvements in the Ainu's living conditions, and increasing the danger that the Ainu's unique language, religion and culture could soon die altogether.

They argue that the 1899 law, which is still on the books, must be rescinded and a new law simultaneously introduced which recognises the Ainu as an independent people and promotes their survival as such. They claim that only with this change in the Ainu's official status will discrimination be reduced and more of the country's Ainu gain the confidence to stand up and be counted.

A curious landmark in the Ainu struggle was a series of statements made in 1986 by then Prime Minister, Mr Yasuhiro Nakasone, in which he denied the existence of any minority groups in Japan and, in reference to the Ainu, commented that "with my heavy beard, I'm sure I've got a lot of Ainu blood myself."

His words so infuriated Japan's Ainu – not least because the thickness of their body hair is one of the characteristics for which they have most often been discriminated against – that a new activist resolve quickly developed.

In the following year, a group of Ainu representatives, wearing traditional dress and speaking Ainu, put their case for the first time before a meeting of the UN minority rights group, in Geneva. They attended subsequent meetings in 1988 and 1989.

Ainu leaders now have their sights set on participation in the UN minority groups convention scheduled for 1992, when a declaration on the rights of minority groups is to be adopted

Mr Nomura comments: "Up to now the Ainu have acted as if they were asking a favour of the government, but now they are demanding their rights."

The Utari Association is holding regular meetings across Japan to publicise and seek support for the proposed New Ainu Law. This legislation would include government recognition of Ainu rights; representation in parliament; comprehensive measures to improve educational provision; a fund for racial independence which would replace present welfare subsidies, and the formation of an Ainu Promotion Council.

Meanwhile, Ainu leaders are making strenuous efforts to preserve the Ainu language, seeing this as a key to the survival of the culture. Foremost among these language revivalists is Shigeru Kayano, author of several books on the subject, who in 1987 began giving weekly 15-minute Ainu lessons on one of Hokkaido's commercial radio stations. At present it is thought that no more than 100 people can still speak Ainu fluently.

The leaders of Japan's surviving Ainu people say it is central government policy that is threatening their language and culture

Kayano has met with little success in another of his campaigns; that to prevent the construction of a dam across the Saru River, in southern Hokkaido, and the related compulsory purchase by the government of land which was granted to the Ainu, under the 1899 law.

The Ainu say that the project will destroy a ceremonial site, used for an important Ainu boat ritual. In February this year, the government dismissed their claims and gave the go-ahead for the dam's completion.

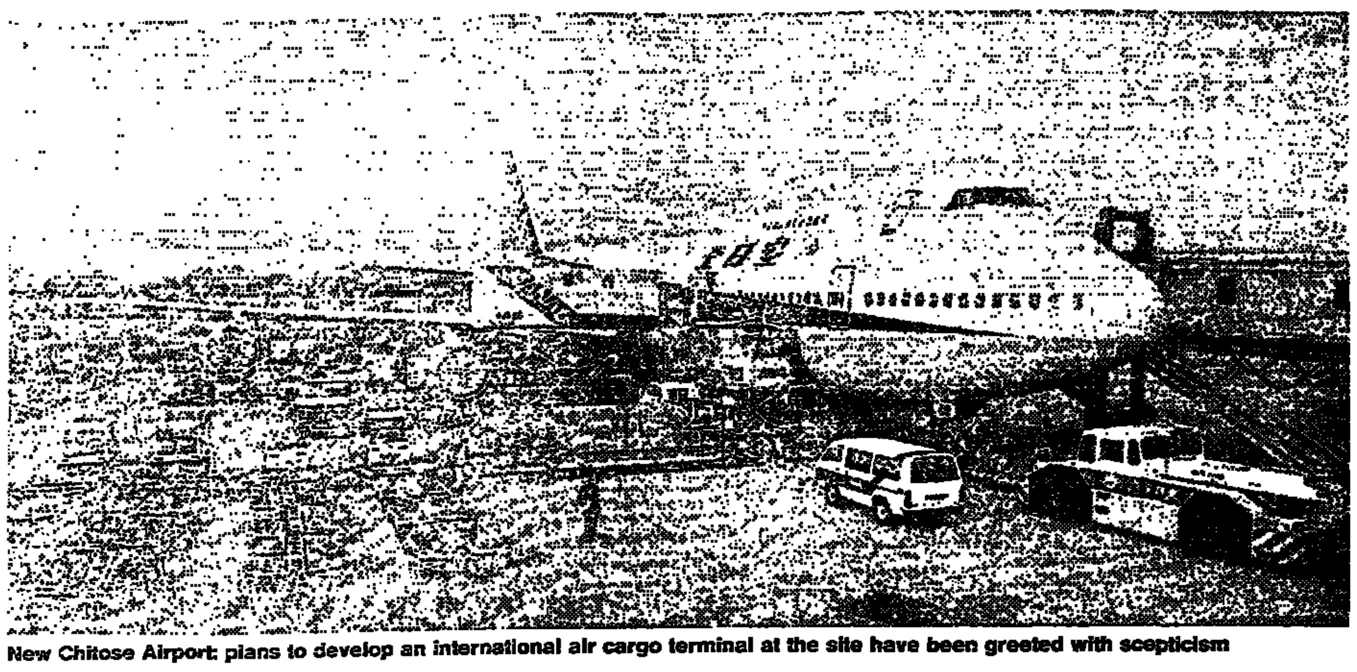
Mr Nomura believes that the Ainu's best hopes for government recognition now lie in international forums. "Our demands coincide with world trends towards respect for minority peoples.

"If the Japanese government does nothing, even while saying they are internationalising, we will confront them at the UN. Pressure from the outside world has the strongest potential."

Roy Garner

Roy Garner on plans for an air cargo terminal at Chitose Airport

Under fire from all sides



New Chitose Airport: plans to develop an international air cargo terminal at the site have been greeted with scepticism

"WHAT IS needed is a large, up-to-date, air cargo terminal for Tokyo; what is being offered is an air terminal in Hokkaido." This assessment by transport analyst Mr Jim Doherty, of merchant banker Jardine Fleming, is representative of the chorus of scepticism that has greeted plans to develop an international air cargo terminal at New Chitose Airport, near Sapporo.

Under the plan, 200,000 tonnes of international air cargo would be handled annually at Chitose by 2000, carried on 20 weekly flights. The aim is that it would alleviate the strain on other airports of the 3m tonnes a year of cargo expected to be entering Japan by that date.

Currently 85 per cent of all international air cargo moves through the already grossly over-burdened airport at Narita, outside Tokyo.

The New Chitose airport went into operation in July 1988, when a newly completed runway and handling facilities allowed commercial operations to be conducted independently of the Air Self-Defence Forces, which previously controlled all flights using the original Chitose airport.

Chitose is noted for handling flights on the Tokyo-Sapporo run, the world's busiest passenger route.

There are certain apparent advantages to Chitose as a future air cargo terminal. The present runway 'A' and the site of runway 'B', targeted for opening in 2000, are surrounded by large areas of undeveloped land which could allow companies to construct extensive cargo-handling facilities.

The project's promoters also claim that Chitose's location, 700 km closer to Anchorage than Narita, will afford fuel savings on the trans-Pacific and trans-polar routes, which account for half of all air cargo moving in and out of Japan. This does not, however, take into account the general decline in the use of Anchorage, as longer-range jets are introduced

Another potential benefit is the proposed 24-hour operations. But the accompanying assurance concerning this plan, that "consultations are now under way to obtain the agreement of residents around the New Chitose Airport", bears an ominous resemblance to similar promises given concerning the construction of Narita's second runway, still not achieved after 20 years of debate.

The most obvious problem concerns Chitose's distance *from Tokyo, the ultimate* destination of the bulk of any air cargo that might be handled.

Mr Akira Tamura, project chief of the International Aviation Project, makes the surprising claim that rail shipment of air cargo to the Tokyo area from Hokkaido, via the recently-opened Seikan tunnel, will prove cost-effective against air cargo passing directly through Narita.

"The charges will be about the same, because cargo passing through Chitose will not be subject to the costly double-handling which takes place, for all Narita cargo, at the Tokyo City Air Terminal in Ibaragi. In the cargo industry, distance does not always reflect cost."

Critics suggest this state of affairs says more about the inefficiency of Narita than the attractiveness of the Hokkaido option.

Although both Japanese and foreign airlines are looking into the air cargo plan, and in some cases conducting technical landings at New Chitose airport, there is widespread off-the-record scepticism over the project's chances of success.

Concerning the distances involved, most observers say it is inconceivable that operators could afford the designated Chitose-Tokyo rail freight costs – *currently set at Y60 per kilo*, with a transport time of 16 hours – even assuming that the fee remains stable, and adequate air-rail links are implemented.

Industry sources say that the costs of constructing and operating the necessary cargo aircraft servicing and maintenance facilities at Chitose, in addition to upkeep of those at Narita, would also be prohibitive.

A further unknown is the future of other Japanese airports which could act as closer alternatives to Narita, thus undercutting any cost-advantage Hokkaido could offer.

These include the planned Osaka International Airport, which intends to offer 24-hour operations, and Nagoya, which is much more centrally placed, and Fukushima prefecture, two hours from Tokyo, which is reportedly also considering an air cargo project.

The new Chitose venture, in short, seems a good idea in terms of regional development in Hokkaido, and increased utilisation of the vastly over-budget Seikan tunnel, but it offers little to international air cargo operators looking for relief from the nightmare conditions that prevail at Narita.

Beer and whisky production

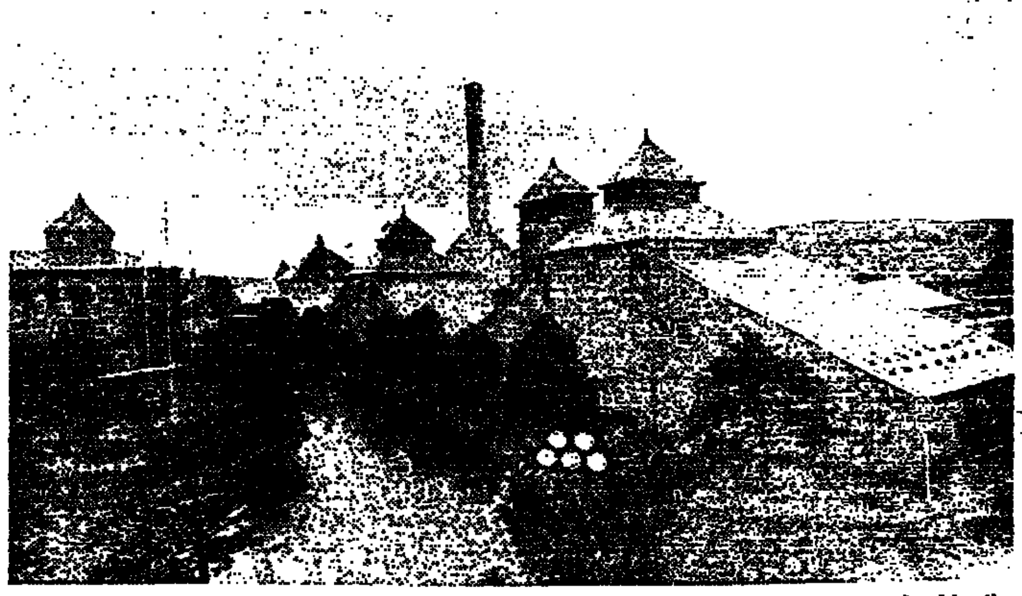
A case of learning from abroad

IT MAY be pure coincidence, but Hokkaido is the home of two of Japan's oldest alcoholic drinks companies, a fact which adds a distinct touch of well-being to the place.

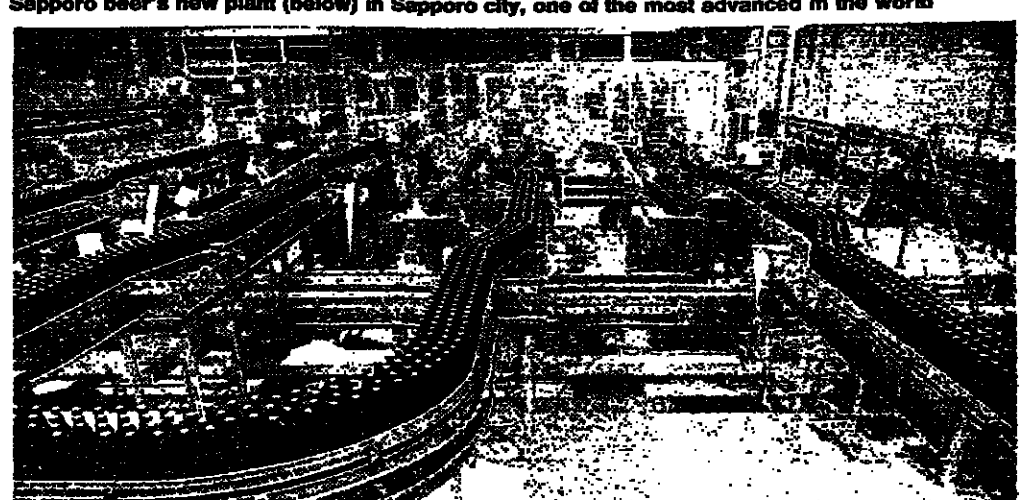
Both of them – the Sapporo beer company and the Nikka whisky distillery – began life there because the climate was right for their raw materials, though both have since expanded greatly to serve markets further south.

Sapporo beer was founded in 1876, partly at the instigation of US agricultural experts who noted the similarity between Hokkaido's climate and Milwaukee's. It was Japan's first brewery, and the original production was consumed almost entirely by the foreign community, which explains why, to this day, Sapporo beer labels are all in English.

Sapporo is now the second largest beer company in Japan with about 20 per cent of the market (Kirin is the leader with 50 per cent). This summer it finally vacated its historic plant in the centre of Sapporo for a spanking new facility on the city's outskirts, one of the most advanced in the world.



The very traditional Nikka whisky distillery (above) at the seaside town of Yoichi, inspired by the founder's visit to Scotland. Whisky is made according to Scottish malt whisky principles. Sapporo beer's new plant (below) in Sapporo city, one of the most advanced in the world



Visiting Sapporo's new plant is a 21st century experience. TV cameras and computerised electric carts do most of the work; the control centre is manned by a mere seven people, just two at night

Visiting it is a 21st century experience. The visitor is led down shadowy corridors echoing to celestial music, while through large windows he glimpses shining vats and high speed production lines – but scarcely a human being. TV cameras and computerised electric carts do most of the work; the control centre is manned by a mere seven people, just two at night, according to Mr Tomio Kaya, the general manager.

Even eerier is a park out at the back where employees can relax in a specially designed musical electronic garden. Loudspeakers play classical works by Beethoven, Mozart, even Elgar's Land of Hope and Glory, and posts dotted around the grassy slopes light up when their note is played. Large sheets of glass alternate between transparent and opaque, completing the wholly unworldly effect of the place.

Nikka has stuck to a more traditional style. The company was founded in romantic circumstances 65 years ago by Mr Masataka Taketsuru, a young liquor maker who travelled to Scotland to learn about whisky. While studying in Glasgow, he met a young girl, Ms Rita Cowan. They fell in love, got married, and returned to Hokkaido to set up Japan's first whisky distillery.

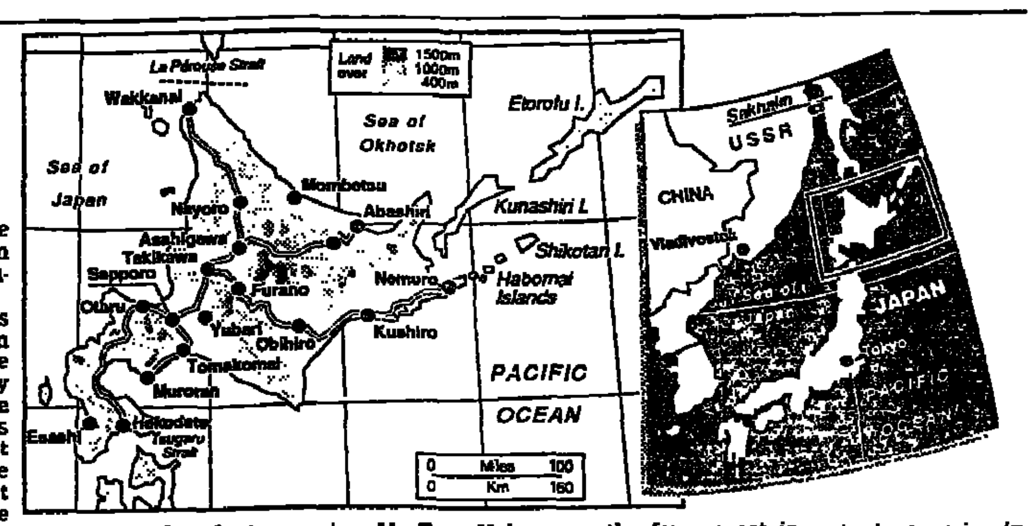
The plant still operates today at Yoichi, a small seaside town with a river running through it, surrounded by smooth hills – just like Scotland in fact. Even the weather is Scottish, says plant manager Mr Akira Hagiwara. Although the plant today uses modern fuels, whisky is made according to strict Scottish malt whisky principles, and is left to age in oak barrels.

Nikka now has several facilities elsewhere in Japan, and is the second largest distiller after Suntory. But it claims a special parentage which Japanese whisky makers cannot match.

David Lascelles

David Lascelles on a long-standing dispute between Moscow and Tokyo

Island dispute shows no sign of ending



EVEN though more than 40 years have passed since the end of the Second World War, Japan and the Soviet Union have still not signed a peace treaty. The reason for this rather curious state of affairs is a long-festering dispute over a group of islands which lie just off the north-east coast of Hokkaido – the so-called Northern Territories question.

It is an issue which raises powerful emotions in Japan, particularly in the realms of government. Hokkaido's governor, Mr Takahiro Yokomichi, states the Japanese case as follows: "It is the ardent wish of the whole country that these territories be returned." The question now is whether perestroika will lead to any breakthrough in the extended deadlock.

The four islands, Etorofu, Kunashiri, Shikotan and the Habomai cluster, are so close that they can be clearly seen from Hokkaido. Japan claims that they have always been part of its national territory, and Tokyo has produced screeds in support of this view, citing everything from 19th century imperial treaties to the similarity of the islands' flora and fauna with that of northern Japan. Every map of Hokkaido includes the islands.

But the Russians, who occupied them during their brief Far Eastern campaign at the end of the last war, have refused to hand them back, claiming that their status has been regularised as part of Soviet territory by a number of post-war agreements. They have driven out the Japanese inhabitants, and consolidated their hold through a strong military presence.

It is an issue which raises powerful emotions in Japan, particularly in the realms of government

But if Moscow hoped that Japan would eventually tire of trying to get the islands back, it has proved mistaken. Tokyo has plugged away with its demands for four decades now, and it uses every opportunity to put pressure on the Russians and publicise its cause. Mr Yokomichi was intending to enlist European support during his tour of several European countries this month.

On Hokkaido itself, the dispute impinges on daily life to the extent of a conspicuous military presence by the Japanese self-defence forces. For local fishermen, the disputed border also cuts back on their fishing grounds and has produced local frictions.

Furthermore, emotionally charged events, like the suspension in 1976 of annual visits to war graves on the islands, are constant reminders to local residents that frictions exist.

Last October, a poll of former residents of the island (many of whom now live in Nemuro, a coastal city facing the islands) showed that they were pessimistic about the chances of ever getting back. While two thirds of them said they would return given the chance, only half thought the dispute would be resolved in the near or distant future.

But most people in Hokkaido have learnt to live with the dispute, particularly in Sapporo which is at the opposite end of the island from the border; the tension seems to interfere little with everyday life.

In a rather perverse way, Hokkaido might even be said to have benefitted from the additional spending power represented by the military presence within its shores. This has at least ensured that Hokkaido has a good transport infrastructure, and that communications with the rest of Japan are good.

Nor has the dispute stood in the way of the resumption of diplomatic relations between Moscow and Tokyo, which were restored nearly 30 years ago, though trade between Japan and the Soviet Union remains pitifully small despite the two countries' common interest in developing the natural resources of Siberia.

The spasmodic negotiations that have taken place between Moscow and Tokyo on the islands issue have been largely unproductive. The most the Russians have agreed to do is return two of the smallest islands as and when a peace treaty is concluded. But Moscow's notorious reluctance to yield territory, as a matter of principle, has stood in the way of any full agreement. The Russians have even refused to acknowledge that there is a territorial issue.

Earlier this year there were suggestions that all that might be changing.

The upheavals in the Soviet Union combined with Moscow's obvious desire to gain better access to Japanese know-how seemed to point to a more conciliatory line. Tokyo took note of a speech by Mr Mikhail Gorbachev, the Soviet leader, during his visit to Peking in May when he announced plans for troop cuts in the Far East, though the Japanese have learnt to treat all Soviet utterances on military issues in their region with some scepticism.

But at the same time, there is also on the Japanese side a new eagerness to normalise relations and take advantage of whatever changes the Gorbachev era throws up.

Earlier this month, a Soviet parliamentary delegation headed by Mr Aleksandr Yakovlev, a senior Politburo member, called on Tokyo. In his talks with Mr Toshiki Kaifu, the Prime Minister and Mr Taro Nakayama, the foreign minister, he is believed to have put forward new proposals, possibly for joint management of the islands by Japan and Russia.

Soviet sources said they were interested in opening some or all of the islands to international projects such as industrial joint ventures and tourism.

The resolution of this dispute obviously has considerable implications not just for Hokkaido and Japan but for the Far Eastern region as a whole. The full normalisation of relations between two of the most important countries in the region would reduce military tensions and open up the way for much bigger commercial exchanges across the Sea of Japan.

The second prospect could bring considerable benefits to Hokkaido which is the part of Japan closest to the Soviet Union. Its role as an industrial and transport centre could be enhanced, and its own manufacturing companies would gain more direct access to the raw materials of the Soviet Far East. But for the moment, there seems little prospect of an early, happy ending.

PROPERTY

Bargain basement

ONE OF the main elements in Hokkaido's sales pitch for inward investment – both business and personal – is the price of property.

As a rule of thumb, property in Hokkaido costs about one tenth of the levels prevailing in the Tokyo area. "It is even better than that in many places," the governor, Mr Takahiro Yokomichi, brags.

This discrepancy is being exploited by various Hokkaido based companies in a number of ways. One of the most novel was discovered a few years ago by a small Sapporo-based construction and property development company, Kabuto Decom.

In the autumn of 1984, the company built a block of luxury flats in a Sapporo suburb and, with a flurry of publicity, put all 40 units up for sale by auction. Within six months, all 40 had been sold, mainly to businessmen from Tokyo looking for business and/or leisure bases in Hokkaido.

"In Tokyo, land is so expensive that people think our prices are cheap," said Mr Takao Kanda, managing direc*tor of Kabuto Decom. The* average price achieved for the

'In Tokyo, land is so expensive that people think our prices are cheap. There is a boom now among corporations and individuals wanting to buy whole buildings in Sapporo'

flats was Y100m (£440,000). Mr Kanda gave the impression that this was somewhat better than might have been achieved if they had been sold in the normal way. "If we find the right building site, we would do it again," he said.

Meanwhile, Kabuto, which last March enjoyed a spectacular launch in Tokyo's over-the-counter (OTC) stock *market, has gone on to profit* from other ways of selling land and buildings to investors from the south. "There is a boom now among corporations and individuals wanting to buy whole buildings in Sapporo," Mr Kanda said.

Kabuto has also set up a resort subsidiary, and it is developing, together with its financial partners, a Y100bn golf and ski resort complex at Lake Toya south of Sapporo.

All this activity has contributed to making Kabuto one of the most closely watched junior quoted companies. In the year to March 31 1989, it ranked 43rd among OTC companies for pre-tax profit growth, with a growth rate of 47 per cent to Y1.4bn.

Ian Rodger

Property in Hokkaido costs about one tenth of the levels prevailing in Tokyo. Sapporo companies have earned huge profits by selling land to southern investors

Hakodate owes its well-being to its position on the southern tip of the island, writes **Roy Garner**

City fortunes intimately linked with its location

CITY officials in Hokkaido's southern port city of Hakodate are currently agonising over which of four possible sites they should choose as their recommended station site for a proposed Shinkansen bullet train line connecting Aomori, in Honshu, and Hokkaido's capital city of Sapporo.

Should they heed the wishes of 90 per cent of Hakodate's citizens and promote use of the city's present terminus station, which would add 10 minutes – a lifetime in Shinkansen terms – to train schedules?

Or should they propose an outer-city site, which would allow the line to sweep smoothly northwards towards Sapporo, after emerging from the newly-commissioned Seikan tunnel, 30 miles to the west?

The former option would place the city more firmly on the transport map, but the more efficient outer-city site could improve the chances of the national government approving the line's costly construction in the first place.

The dilemma is only the latest example of how Hakodate's fortunes have always been intimately linked with its location.

The future began for Hakodate in 1859, when the small fishing town on the northern shore of the Tsugaru Strait was opened as a trading port. It soon grew to become Hokkaido's largest city – a status it retained until the 1920s – and numerous western-style period buildings survive today as a testament to the strong international maritime links that were established.

Decline set in when Hakodate's position as the primary gateway to Hokkaido was challenged by airline services. The situation worsened when the city's shipbuilding business – a principal employer – was virtually wiped out during the recent industry-wide slump. A concurrent decline in the fishing industry added to the employment woes.

The latest problem to have hit the city was the opening, in March 1988, of the Seikan under-sea rail tunnel

The latest problem to hit the city was the opening, in March 1988, of the Seikan under-sea rail tunnel. Although the new rail link to Honshu (which, though designed to handle Shinkansen services, currently carries only conventional tracks) is now proving the optimists right in bringing greater numbers of travellers to the city, the simultaneous suspension of the historic Hakodate-Aomori ferry service created widespread apprehension among the seafaring town's 320,000 population, who fear that trade will by-pass Hakodate and gravitate towards Sapporo.

Mr Shigeki Saito, director of the planning department of Hakodate's city office, pointed to another difficulty related to Hakodate's location: "Hokkaido has previously been developed outward from the central city of Sapporo, so this extreme southern area is handicapped by an inadequate road system."

With no likelihood of a road tunnel to Honshu being built in the foreseeable future, the planners' attentions are turning, somewhat desperately, to the promotion of such alternatives as car train services through the rail tunnel, and the introduction of a one hour jet-foil service to Aomori.

These initiatives are being co-ordinated within a regional promotion scheme which defines northern Aomori prefecture, centred on Aomori city, and southern Hokkaido, centred on Hakodate, as a regional bloc.

Success in consolidating this theoretical north Honshu-south Hokkaido axis hinges on persuading the government to extend the Tohoku Shinkansen line from Tokyo, which currently ends at Morioka, in Iwate prefecture.

The Morioka-Aomori extension is currently, however, in third place on the government's list of Shinkansen expansion priorities.

Mr Saito comments: "Transportation questions are at the centre of our planning activities, but we realise that it will be five or six years at least before the Shinkansen reaches Aomori.

"We might then be able to prepare the infrastructure for an extension through the tunnel within another two or three years. But all of this is contingent upon highly political, budgetary, decisions of the central government."

The bright spot in Hakodate's future is tourism. It is one area in which the desired regional axis seems to be materialising, as weekend trippers from Aomori increasingly take the 150 minute train ride (it used to be a four-hour ferry journey, across often stormy seas) to Hakodate.

Arrivals from Tokyo are also on the increase, helped by the recent start-up of Japan Air Lines flights, supplementing the existing services of All Nippon Airways.

There is plenty for these tourists to see: a magnificent city panorama can be enjoyed from Mt Hakodate, reached by a state-of-the-art 125-passenger ropeway; antique trams still wend their way between a range of Meiji-period buildings hard to match anywhere else in Japan; and the city boasts the famous Goryokaku western-style fortress, site of the last major battle of the Meiji Restoration.

Decline set in when its position as the gateway to Hokkaido was challenged by airline services

Of particular note is the recently-opened Bay Hakodate development, in which some of the harbour's oldest red-brick warehouse buildings have been skilfully converted into sophisticated restaurants and arts facilities. The port development plan also includes the improvement of facilities for handling cruise ships.

Tourism will not however meet Hakodate's future employment needs. Direct earnings in the sector reached an estimated Y80bn in 1988, up from Y60bn in 1986, but this compares with Y231.6bn attributed to manufacturing industries and Y1,087bn from general commerce. With local industry still largely in decline, it cannot be expected that tourism will make up much of the expected future shortfall.

Projections concerning Hakodate's future manufacturing earnings – the sector is expected to provide 163,700 jobs and earnings of Y454.2bn by 2000 – also appear optimistic in view of the current poor investment climate.

High-technology industries are supposed to be leading the area's regeneration, but a 'technopolis' high-tech industry park recently opened in Hakodate has met with a disappointing response. Only one of the 20 companies to move in, Nippon Denpa Kogyo, is a large employer, now providing 400 jobs. Most of the new ventures require between 10 and 20 employees.

But the mood in Hakodate remains upbeat. Bay Hakodate restaurant manager, Mr Yoshida Koichi, reflects that "old people, in particular, thought that the closing of the ferry service, and the opening of the new tunnel, spelled the end for the city, but there's more confidence now."

This confidence is also seen in Hakodate's new designation of itself; it will now be referred to as an "international tourist city."

Model success: Hiroyuki Hattori, who with former graduate school colleagues set up a software company, standing beside a sculpture by Isamu Noguchi, the famed Japanese-American sculptor, at the company headquarters in Sapporo

BUSINESS GUIDE

A retreat from the urban nightmare

INTRODUCTION: By the standards of a densely-packed country like Japan, Hokkaido can seem both remote and spacious. In the rest of Japan, people joke about its tough climate and brief history. But for all these reasons, Hokkaido tries that bit harder to attract outside business.

Getting there: The only direct international flights to Hokkaido are from Seoul, South Korea. Other international travellers must go via Tokyo, transferring from Narita international airport to Haneda domestic airport, a journey of 90 minutes. However, there are frequent flights from most major Japanese cities to Sapporo. Arrival is at Chitose airport, from which Sapporo is best reached by a 30-minute train journey. Alternative forms of travel are only for those with time to spare: the train from Tokyo to Sapporo takes 17 hours (but offers the bonus of passing through the world's longest under-sea tunnel, the 50 km Seikan).

Visiting Hokkaido: Sapporo, a city of 1.6m people, is the commercial and political centre of Hokkaido, and is the natural jumping off point for visitors. It has all main services, including several high class hotels, and is where the island's leading banks, company headquarters and government offices are to be found.

■ New Otani 011 222 1111
■ Grand Hotel 011 261 3311
■ Hotel Alpha Sapporo 011 221 2333

Getting around: Sapporo has an excellent subway and suburban rail system. There are also bus and taxi services. Other parts of the island can be reached train, bus or by hiring a car (for which an international driving licence is needed).

Travel agencies can arrange most travel needs. American Express (251 0057) has an office near the large hotels, and has English-speaking staff.

■ Japan Travel Bureau 011-241-6201
■ Nippon Travel Agency 011 231 4171

Climate: As the most northerly of Japan's islands, Hokkaido is cooler – and at times wetter – than the rest of the country, and the visitor should arrive well-prepared. The first snow usually falls in late October and lasts until April, and temperatures drop well below freezing. Summer temperatures reach 25 deg C, and winter -10 deg C. But the climate also offers its compensations. Autumn visitors may enjoy splendid foliage (best in late September, early October), and spring brings fresh colours (mid-May). Winter visitors should time their visit to coincide with the Sapporo snow festival in February.

Communicating: Less English is spoken in Hokkaido than in business centres such a Tokyo and Osaka, though a considerable effort has been made to put up bilingual signs in public places and on public transport.

By the standards of a densely-packed country like Japan, Hokkaido can seem both remote and spacious

Hotels usually have one or two people who can speak English, so the casual traveller need not feel completely lost. However any serious business discussions require the services of professional interpreter agencies.

■ IAY 011 281 5188
■ EC International 011 221 0279

Sources of information: the Hokkaido government and other agencies have active programmes to promote the supply of information and contacts for businessmen.

■ Hokkaido Government 011 231 4111
■ Sapporo Bureau of International Trade and Industry 011 231 1151
■ Federation of Hokkaido Chambers of Commerce and Industry 011 231 1122

Leisure: in the evening, the Susukino district of Sapporo just south of the main hotel area is the place to visit. Boasting a reputed 4,500 bars and restaurants, it caters to most tastes. There are also cinemas and a concert hall.

Visitors in the summer with time to spare should visit some of the island's many national parks, renowned for their mountains and lakes and in the winter should go skiing.

■ Hokkaido Tourist Association 011 231 4111

David Lascelles